23 July 2026

Incentives June 2026 (Q1) Report

NESO Business Plan 1 (2026-28)

NESO
National Energy System Operator

Contents

Introduction

NESO1 is our first two-year Business Plan as the National Energy System Operator, covering April 2026 to March 2028. It explains how we will deliver our strategic aims, provide value for money, and support a secure, affordable and sustainable energy system. We published our plan in November 2025, structured around six Performance Objectives that set out how we would deliver over the period. In its Determinations, Ofgem added a seventh Performance Objective focused on providing customers with a high-quality, independent and trusted service. The final set of Performance Objectives are:

- Planning a Clean Energy Future
- Operating an Intelligent, Real-Time Grid
- Enabling Smarter, Cleaner Markets
- Driving Whole-System Resilience
- Delivering a Decarbonised, Operable Grid
- Building a Digitally Connected Energy System
- Providing Customers with a High-quality, Independent and Trusted Service

In line with the requirements set out in the NESO Performance Arrangements Governance Document (PAGD), this report is structured in two parts:

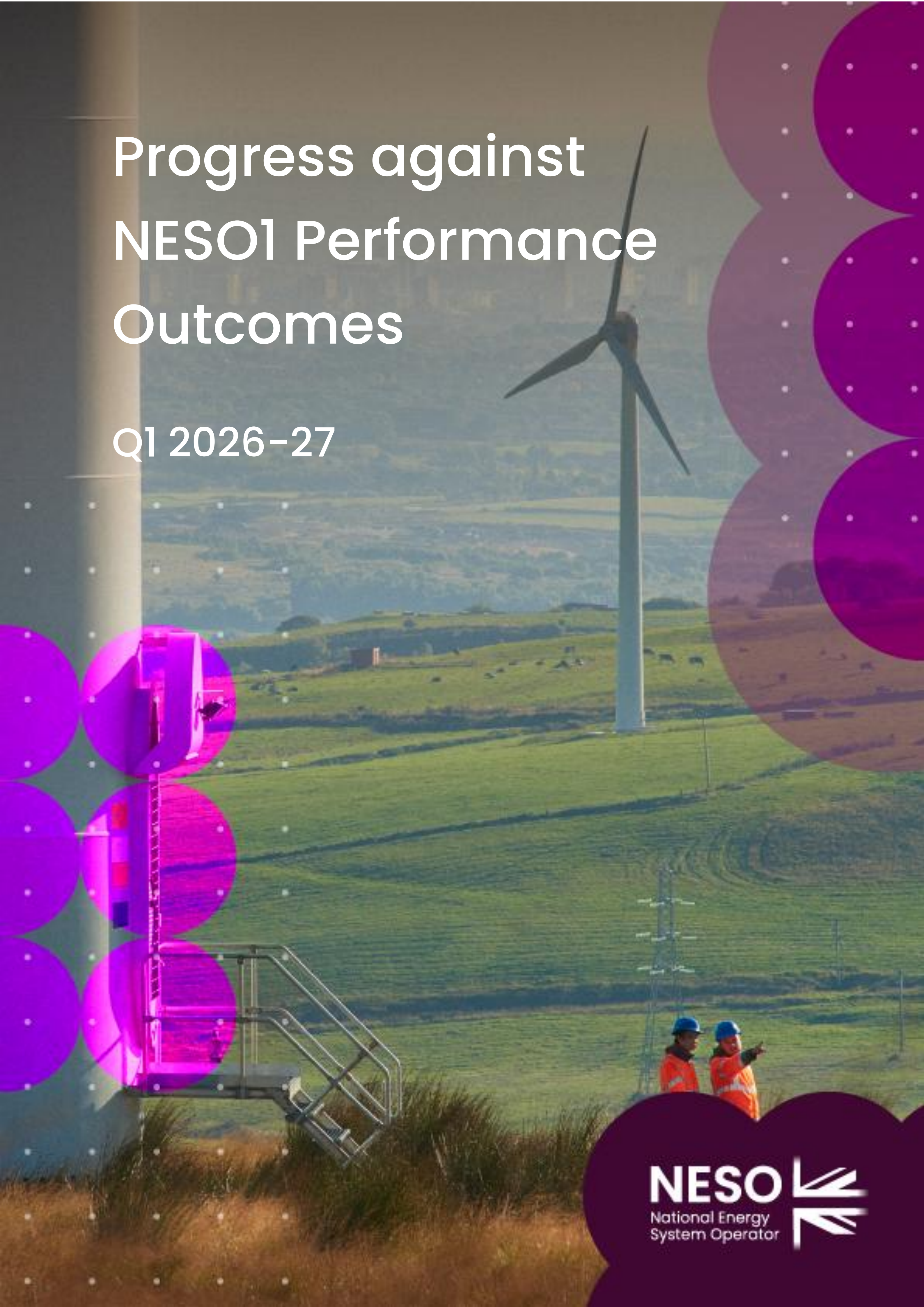
- Progress against Performance Outcomes – providing an update on progress against the outcomes NESO is expected to deliver under the NESO1 framework.
- Reported Metrics – providing transparency on operational outcomes, performance trends and supporting commentary across a range of measures.

Please see our incentives website for more information on the scheme, our reporting requirements, and to access our reports.

You can stay up to date with our latest news and events on the NESO website or by subscribing to our weekly newsletter.

Progress against NESO1 Performance Outcomes

Q1 2026-27



NESO
National Energy System Operator

Introduction to Performance Outcomes

In line with the requirements set out in the NESO Performance Arrangements Governance Document (PAGD), this chapter provides an update on progress against NESO's Performance Outcomes. As set out in the PAGD, these updates are intended to provide regular visibility of delivery against agreed outcomes, including progress, risks, and emerging issues.

Under the NESO1 framework, Ofgem's Final Determinations set out Performance Objectives alongside a series of *Ofgem Expectations* which underpin them. The PAGD defines Performance Outcomes as the combination of Performance Objectives and Ofgem Expectations, although in practice the Final Determinations articulate these outcomes through the Ofgem Expectations, which form the basis for assessing delivery.

These Ofgem Expectations were developed based on NESO's NESO1 Business Plan and represent the outcomes NESO should be held to account for externally and ultimately assessed against. They underpin both this report and Ofgem's assessment of NESO's performance.

This first Q1 report does not yet reflect the full form of enduring reporting. Final Determinations were published at the end of April 2026, and elements of the framework including Success Measures and the definition of Major Deliverables are still being developed and finalised. As a result, NESO has agreed with Ofgem that this report will focus on providing an early indication of progress in delivering the Performance Outcomes.

Planning a Clean Energy Future

NESO will shape the future of energy by defining the energy infrastructure requirements across Great Britain that reflect societal and community values, safeguard the environment, maintain system resilience and ensure consumer benefits are realised. This will guide the transition to a clean, affordable and secure energy for GB by delivering first-of-a-kind whole energy strategic planning.

Summary

Across Q1, we continued to progress delivery of our strategic planning activities, with a particular focus on establishing the frameworks, methodologies and plans needed to support the transition to a clean, affordable and secure energy system. Activity during the quarter centred on advancing the Centralised Strategic Network Plan (CSNP), Strategic Spatial Energy Plan (SSEP), Regional Energy Strategic Plan (RESP), competition arrangements and future investment signalling activities. Progress was made in developing strategic planning methodologies, strengthening coordination across planning outputs, providing clearer signals on future infrastructure needs and supporting greater competition in network delivery. Together, these activities are helping to establish the foundations for more coordinated whole-system planning and investment decisions.

A.1 Improved coordination in network planning and development

This focuses on improving coordination across strategic planning activities, ensuring planning outputs are developed through robust methodologies, informed by stakeholders and aligned across different planning processes and timescales.

During the period, we received Ofgem approval for the CSNP methodology, establishing the framework for identifying system needs, appraising options and developing recommendations across electricity, gas and hydrogen networks. This represents an important milestone in implementing NESO's enduring strategic planning role and provides a consistent basis for future whole-system network planning.

Work on Strategic Spatial Energy Planning (SSEP) also progressed during Q1, with pathways delivered to the Secretary of State and core modelling and analytical frameworks completed. Pathway analysis is continuing to support future planning outputs. In parallel, we published further information on SSEP development, emphasising transparency, collaboration and stakeholder engagement in shaping the approach and ensuring stakeholders understand how different planning outputs will work together.

Progress has also continued on Regional Energy Strategic Planning (RESP). Methodology development remains in progress, with methodology approval planned for Summer 2026, subject to approval. The RESP roadmap sets out the continued development of the enduring RESP approach, including the transition from tRESP into full RESP delivery. The

tRESP outputs have also informed development of the enduring RESP methodology and delivery approach, with tRESP described as a bridge between current distribution planning arrangements and the full RESP approach expected from 2028.
A.2 Improved signals result in a pipeline of investments well-aligned to future system needs **This focuses on ensuring strategic planning outputs provide clear signals on future system needs and investment requirements, helping direct investment to where and when it is most needed.** We published the Beyond 2030 Electricity Transmission Update, providing an updated view of the electricity transmission network required across Great Britain through the 2030s. The update reflected changes in policy and system context, including the Clean Power 2030 Action Plan, updated Future Energy Scenarios, Connections Reform and evolving transmission network proposals. It reaffirmed the strategic network reinforcements required to support a reliable, affordable and decarbonised electricity system, while providing greater clarity to industry on future infrastructure requirements, network needs and investment priorities. The tRESP work is also beginning to support how strategic planning outputs translate into investment planning. The tRESP consultation material states that DNOs will use tRESP outputs, alongside Ofgem business planning guidance, to develop their ED3 business plans. Ofgem's ED3 Business Plan Guidance also includes tRESP assurance requirements, providing a route for regional planning outputs to inform distribution network planning and future investment decisions.
A.3 Investors show increased confidence in the energy market, supported by clear, stable market rules **This focuses on providing clear and credible signals to investors through planning outputs, roadmaps, strategies and stakeholder engagement, helping increase confidence in future energy system development.** Work on SSEP and RESP continued during Q1, helping provide greater clarity on future planning arrangements and the development of enduring strategic planning methodologies. Alongside this, we delivered 13 Strategic Energy Planning (SEP) forums across Great Britain between 2 and 25 June, providing opportunities for customers and stakeholders to better understand NESO's strategic planning activities, future priorities and emerging outputs, while contributing through discussion and feedback. The forums brought together a broad range of stakeholders from across the energy sector, helping to ensure local, regional and national perspectives continue to inform future planning activities. By providing greater visibility of strategic planning approaches, future infrastructure needs and emerging planning outputs, these

engagements support improved stakeholder understanding and help build confidence in the development of future energy system plans.

During Q1, we continued to support delivery of the Reformed National Pricing (RNP) programme, working with DESNZ and Ofgem to develop electricity market reforms intended to improve long-term operational and investment signals across the energy sector. Stakeholder engagement remained a key focus, with more than 84 engagement activities undertaken during the quarter, including teach-ins, bilateral discussions, webinars and engagement with trade bodies, governments and market participants. This activity has helped build understanding of the programme, gather stakeholder feedback and inform the development of reforms.

Within the Balancing, Settlement and Dispatch workstream, we made significant progress developing five balancing reform options, supported by cost-benefit analysis, implementation assessments and impact assessments, working with Baringa as consultant partners. The Call for Input generated 81 responses, all non-confidential submissions were published, and feedback has been used to refine reform designs and supporting assessments. We also established an Industry Expert Panel comprising 27 representatives from across the sector, selected from more than 50 expressions of interest, providing challenge and feedback on policy design, assessment methodologies and future operating arrangements. A webinar summarising Call for Input feedback was attended by around 120 stakeholders, with further engagement supporting ongoing development of reform options. Progress was also made in developing dispatch reform options, informed by stakeholder feedback, with a roadmap agreed with DESNZ and Ofgem towards a future recommendation.

We also continued to support development of the Siting and Investment Levers workstream, drawing on its expertise in strategic energy planning, connections, network charging and industry codes to assess how different reform options may influence future investment decisions and delivery of strategic energy objectives. This included supporting DESNZ's development of siting and investment levers and providing input to Ofgem's work on future network charging arrangements. In the Constraints workstream, we continued to coordinate the status and assessment of reform initiatives and developed a common cost-benefit assessment framework to support robust and consistent evaluation across the programme.

Collectively, these activities support the development of future market arrangements intended to provide greater clarity and confidence in longer-term investment signals.

A.4 Greater competition and innovation in network development

This focuses on supporting competitive delivery models by identifying suitable projects, engaging the market and providing visibility of future opportunities for competition.

Alongside publication of the Beyond 2030 Electricity Transmission Update, progress was made in enabling future network delivery through advancement of competition arrangements. Project identification activity associated with the update neared completion during Q1, and an Expression of Interest was issued to support early market engagement and development of a future pipeline of projects suitable for competitive delivery. This EOI attracted a deep pool of global investors, utilities and Tier 1 contractors which demonstrated strong appetite and credible conditions for early competition. We had responses across the full value chain being represented. Based on the EOI we can see responses from leading infrastructure funds, insurers and sovereign-backed institutions; respondents have proven delivery track record with investors managing £10bn-£100bn+ portfolios; however, there was clear evidence of new entrant appetite. Together, these activities support greater competition in network delivery and provide earlier visibility of future investment opportunities and that the depth of capital supports sustained competitive tension with early suggestion that there is no reliance on a single investor or delivery model enabling sustainable competition.

Operating an Intelligent, Real-Time Grid

NESO will operate a flexible, and increasingly intelligent, electricity system, optimising transparent real-time decision-making and ensuring ongoing resilience of the energy system. Enhanced operational decision-making will be enabled through data, automation and future-ready digital tools. Operational capability will be transformed by maximising the benefit of digitalisation and ensuring the correct skillsets and processes are in place to manage increasing variability and complexity of the GB Power System.

Summary
Across Q1, we progressed improvements to operational efficiency, forecasting capability and future operability. Activity during the quarter focused on maintaining reliable system operation, reducing balancing costs, improving dispatch efficiency, strengthening forecasting and operational planning capabilities, and progressing the tools, reforms and operational capabilities required to support an increasingly flexible and low-carbon electricity system.
B.1 NESO initiatives retain or improve system reliability standards while reducing costs of system balancing **This focuses on maintaining or improving system reliability while reducing balancing costs through more efficient operational decision-making, improved tools and initiatives that lower the cost of balancing the system.** During an unprecedented period of extreme heat and tight margins across Great Britain and Europe in late June, electricity system margin notices were issued. The electricity system operated reliably throughout this period. Following whistleblower allegations regarding operational decision-making and record-keeping within NESO, an independent external investigation has been launched by Eversheds Sutherland International, which will report to an independent panel. Separately, Ofgem has used its regulatory powers to formally commission NESO to deliver post-event analysis and assessment of the incidents of system stress during extreme heat across the week of 22 June. You can read the terms of references for these on our website. We have not included any security of supply metrics or associated commentary for June in this report pending the outcomes of both the investigation and the review. These will be included in a future report. There were no reportable frequency or voltage excursions in April and May. Across Q1 we continued to improve operational efficiency and balancing performance. While balancing costs were below benchmark levels during April and May, June balancing costs were £302m compared to a benchmark of £278m, resulting in year-to-date balancing costs of £844m against a benchmark of £839m. The higher June costs

reflected a combination of increased wind penetration, higher balancing requirements associated with the June heatwave, increased voltage constraint and inertia costs, and higher non-constraint balancing costs.

To support greater transparency and consistency of assessment under NESO1, a revised balancing cost benchmark methodology was introduced using unconstrained wind penetration and day-ahead power prices, with daily data replacing monthly data.

Performance in dispatch efficiency continued to improve over the longer term. The average combined Energy Balancing skip rate for January to June 2026 was 31%, compared with a target of 30% and a corresponding performance of 41% over the same period in 2025. June performance was 35%, reflecting month-to-month operational variation. Despite the higher June result, the overall trend continues to demonstrate improved dispatch efficiency, with greater volumes of energy balancing actions being dispatched while maintaining lower levels of out-of-merit actions. In-merit balancing volumes increased from 59GWh in June 2025 to 67GWh in June 2026 while the combined skip rate reduced by three percentage points year-on-year. Transparency improvements, analysis of skip drivers and the introduction of new control room tools have supported continued progress in reducing skip rates and improving dispatch efficiency. During the quarter, NESO published further information on progress in reducing skip rates and improving transparency, following engagement with customers to better understand the drivers behind skips and identify opportunities for further operational improvements (Positive progress on skip rates and next steps).

B.2 Improved operational planning and forecasting

This focuses on improving forecasting accuracy and operational planning to ensure operational decisions are made using the best available information and a more accurate view of system conditions.

Alongside operational improvements, we continued to strengthen forecasting and operational planning capability. During Q1, average demand forecasting error was 803MW, compared with a historical five-year average of 636MW. Forecasting performance was affected by challenging weather conditions during the quarter, including record-breaking temperatures and periods of extreme heat in June, which created additional uncertainty around demand patterns and increased the complexity of forecasting system conditions. June demand forecasting error averaged 922MW, compared to a five-year average of 546MW. These conditions were compounded by solar forecasting challenges and changes in consumer behaviour associated with the exceptional weather, resulting in greater forecasting uncertainty during the month.

Wind forecasting performance remained stronger than historic benchmarks throughout the quarter. During Q1, wind forecasting error averaged 3.71%, compared to a five-year average of 4.24%. June performance was particularly strong, with forecasting error of 3.63% compared to a five-year average of 4.63%, demonstrating continued improvement despite the challenging operating conditions experienced during the period.

Forecasting performance during the period reflects the increasing complexity of operating a weather-dependent electricity system. Record temperatures and changing demand patterns associated with the June heatwave increased uncertainty within national demand forecasts, while growing volumes of embedded solar generation added further complexity to forecasting system conditions. Despite these challenges, wind forecasting error remained below the five-year average throughout the quarter, demonstrating continued improvements in forecasting methodologies, weather modelling and operational forecasting capability.

We also continued work to rebuild national demand forecasting models using machine learning, artificial intelligence and the latest generation weather data. Development continued on enhancements to wind forecasting capability, including the introduction of wind-direction functionality, while further work progressed to improve within-day forecasting capability. These improvements are intended to strengthen forecasting accuracy and operational decision-making as the electricity system becomes increasingly weather-dependent and complex to operate.

B.3 Extended periods of zero carbon operation and reduced electricity system carbon intensity

This expectation focuses on ensuring NESO has the tools, processes and operational capabilities required to operate an increasingly low-carbon electricity system and support Clean Power 2030 ambitions.

During Q1, the carbon intensity of NESO balancing actions remained low, although monthly performance varied according to prevailing system conditions and the operational interventions required to maintain secure system operation. Carbon intensity averaged 11.51 gCO_2/kWh in April, 8.55 gCO_2/kWh in May and 15.07 gCO_2/kWh in June. The increase observed in June coincided with more challenging weather and system conditions, increased balancing requirements and operational interventions necessary to maintain system operability.

Maximum Zero Carbon Operability (ZCO) levels, measured using the CP30-aligned definition introduced for NESO1 reporting, remained above 90% in every month of Q1. Maximum monthly ZCO levels reached 98.64% in April, 94.82% in May and 93.17% in June following NESO operational actions and market outcomes. These results demonstrate that the system continues to be operable at very high levels of zero-carbon generation while maintaining security and reliability standards. Market-delivered ZCO reached as high as 99.86% during the quarter, illustrating the continued progress being made towards Clean Power 2030 and the increasingly important role of operational tools, stability services and system reform initiatives in supporting operability under these conditions.

These results demonstrate continued progress towards our ambition to operate the electricity system using increasingly high levels of zero-carbon generation while maintaining secure and reliable system operation. Q1 saw further progress in the commissioning of Stability Pathfinder projects and projects secured through the

Stability Mid-Term Y-1 Market, which are expected to further increase operability capability over time.

We continued to develop the tools and capabilities needed to operate an increasingly flexible and low-carbon electricity system. In June, the Control Room went live with the capability to receive data required under Grid Code change GC0166, allowing receipt of additional information from storage and other limited-duration assets, including battery State of Charge (SoC). This improves visibility of the energy available from these assets and the duration for which it can be provided, supporting operational decision-making as the system becomes increasingly reliant on flexible low-carbon technologies.

Progress also continued on System Access Reform, supporting more efficient use of network capacity and helping to establish the foundations required for operation of a Clean Power 2030 system. Further implementation and coordination across industry will be required as these reforms continue to mature and their benefits are realised.

B.4 Outages are managed proactively and efficiently, with their impact minimised

This focuses on ensuring access to the electricity system is managed efficiently through effective coordination, planning, monitoring and operational tools that minimise disruption and support reliable system operation.

During Q1, NESO continued to manage planned outages while maintaining the availability of critical operational systems. There were no unplanned CNI IT system outages affecting either the Balancing Mechanism (BM) or Integrated Energy Management System (IEMS) during the quarter. One planned BM CNI IT system outage took place in June to facilitate software updates and routine maintenance activities. The outage was coordinated in advance with control room operations, communicated through established industry processes and completed without impacting secure system operation or market activities. These outcomes demonstrate effective outage planning and operational coordination while maintaining the availability of critical systems.

NESO also continued to manage planned outage activity efficiently during Q1. Across the quarter, 2,176 outages were successfully released, comprising 701 in April, 683 in May and 792 in June. During the period there were four outage delays or cancellations attributable to NESO process failures, equivalent to 1.84 delays or cancellations per 1,000 outages. The incidents related to communications and process compliance issues and represented a small proportion of overall outage activity. Operational Learning Notes were developed following these events and shared across planning and operational teams to reinforce corrective actions and reduce the likelihood of similar occurrences in future.

Together, these outcomes demonstrate that outages continue to be managed proactively and efficiently through effective planning, coordination and operational governance. High levels of system availability, successful delivery of planned maintenance activities and low levels of outage disruption have helped minimise the impact of outages while supporting the reliable operation of the electricity system.

Enabling Smarter, Cleaner Markets

NESO will evolve key market frameworks to enhance market signals and improve market access, and provide open access to systems and data. This will increase competition, reduce supply and price risks, support flexibility and innovation, and enable efficient market participation of new technologies and distributed resources.

Summary

Across Q1, we continued to progress market reform activity intended to support the evolution of Great Britain's energy markets and enable a more flexible, competitive and efficient electricity system. Activity during the quarter focused on removing barriers to market participation, progressing market reform programmes, improving transparency of market outcomes, developing future balancing services and continuing the competitive procurement of services required to operate the system. Reformed National Pricing (RNP) has been moved to Planning a Clean Energy Future as it aligns more closely to Ofgem's investment signalling and investor confidence expectations.

C.1 Market design and operation encourages innovation and efficient market participation

This focuses on ensuring market design and operation support wider participation, reduce barriers to entry, encourage innovation and enable efficient participation from a broader range of technologies and providers.

During Q1, we continued delivery of the Demand-Side Flexibility Routes to Market Review, progressing work to identify and address barriers to participation in NESO markets and improve market access for flexible and distributed energy resources. This programme is intended to increase competition, improve coordination across markets and support broader participation from demand-side flexibility providers and emerging technologies. NESO published the latest Demand-Side Flexibility Routes to Market Review – Quarterly Update 3 during the period.

Q1 activity also continued delivery of the market reforms set out in NESO's market reform programme, including work relating to progression of the reactive power mid-term market and detailed design of Demand for Constraints services. The reactive power mid-term market is designed to increase access to low-carbon reactive power services outside of the balancing mechanism. Demand for Constraints will incentivise more demand assets to turn up during times of constraints through Balancing Mechanism participation. Alongside other reform activities, we are working to deliver market arrangements aligned with the requirements of an increasingly low-carbon electricity system.

This work was supported by continued engagement with market participants and industry stakeholders. During the quarter, NESO held the Markets, Balancing and Dispatch Transparency Summer System Update event, with pre-read materials published in advance to provide additional detail on market developments, balancing arrangements, operational transparency and future market reform activity. The event provided stakeholders with an opportunity to discuss ongoing reforms and future priorities, supporting transparency, stakeholder understanding and collaboration across the market community.

Further progress was made in the evolution of balancing services. During the period, Ofgem approved NESO's proposed amendments to the Dynamic Response Services terms and conditions and approved proposed amendments to the Static Firm Frequency Response (SFFR) service documentation. These decisions support continued development of balancing service arrangements and provide updated frameworks for participation in these services.

C.2 Market design and operation facilitates optimised system operability

This focuses on ensuring markets provide the services required to operate the electricity system efficiently and securely, supported by effective market signals, transparent market outcomes and procurement arrangements that align with system needs.

We have continued to improve transparency of market outcomes through publication of operational market data, including Enduring Auction Capability (EAC) auction results, providing market participants with greater visibility of auction outcomes and supporting understanding of how balancing markets are operating.

Alongside market reform activity, we continued to deliver competitive procurement across a range of balancing services. During NESO1 to date 100% of constraint actions have been procured competitively. Competitive procurement of response and reserve services were 88.3% in April, 86.6% in May and 89.3% in June. Competitive procurement within reactive services were 4.9% in April, 4.1% in May and 4.2% in June, reflecting the characteristics of these services and current market arrangements.

Levels of day-ahead procurement remained strong during Q1, with 95% of balancing services procured no earlier than day-ahead, compared to an indicative benchmark of 80%. This reflects continued growth and maturity across competitive response and reserve markets, reducing reliance on non-day-ahead procurement arrangements and supporting more efficient delivery of system operability requirements.

Progress was also made on the future development of balancing services. During the quarter, the Balancing Services team finalised timelines for its longer-term programme to develop a scalable, market-driven operability services suite. The programme is intended to support procurement of the services required to operate an increasingly flexible electricity system and forms part of wider work to ensure customers can access the services needed to connect and operate efficiently within future market arrangements.

Together, these activities support the continued evolution of market arrangements to ensure the system has access to the tools, services and flexibility required to operate securely and efficiently as Great Britain's electricity system continues to decarbonise. Increased use of competitive, near-real-time procurement arrangements helps ensure operability requirements can be met efficiently while providing greater opportunities for participation from a widening range of technologies and service providers.

Delivering a Decarbonised, Operable Grid

NESO will enable efficient connections and coordinated system standards, delivering a resilient, operable and decarbonised energy system whilst reducing barriers to entry. Reordering the connections queue will ensure timely and efficient network connections that support system growth and delivery of CP30. This will be underpinned by a reimagined and transparent enduring connections process, whilst maintaining coordinated operability standards across an increasingly complex, decentralised energy system.

Summary

Across Q1, we continued to progress connections reform and the transition to a more efficient, strategically aligned connections process. Activity during the quarter focused on implementing the reformed framework, issuing offers to projects required to support Clean Power 2030, developing future processes across the connections lifecycle, and improving transparency for stakeholders on how connection decisions are made. These activities support more effective queue management, reduced barriers to connection and improved alignment between connection outcomes and future system needs.

D.1 Faster connection times, shorter queues and lower administrative burden for prospective connectees

This focuses on providing high-quality, timely connection offers, improving the customer experience and ensuring the connections process supports the efficient delivery of projects aligned with future system needs.

During the period, we continued delivery of the reformed connections process, including issuing offers to projects within the 2030 pipeline. On 10 June 2026, NESO and electricity networks reported that 58% of connection offers for transmission and distribution projects in the <2030 pipeline had been issued, with 713 of 1,223 projects having received offers, representing 37GW of new electricity capacity across technologies including offshore and onshore wind, solar, battery storage and hydro. This represents a significant milestone in progressing strategically important projects through the queue and supporting delivery of future network and generation infrastructure needed for Clean Power 2030.

This progress reflects continued implementation of reforms designed to replace the previous "first come, first served" approach with a pipeline of deliverable projects that are ready to progress and aligned with strategic system needs. The offers set out when and where projects can connect, and what enabling upgrades are needed on the transmission and distribution networks, supporting greater clarity for developers and investors as projects move through the reformed process.

Alongside issuing offers, we continued implementation activity associated with Connections Reform, including development of future processes, stakeholder engagement and preparations for new arrangements across the connections lifecycle. This included work to address emerging demand connection requirements and improve coordination across the wider connections ecosystem, including the interaction between NESO, network companies, Ofgem, Government and customers. This activity supports the development of a more comprehensive operating model for connections reform and helps ensure future network access arrangements remain aligned to system needs and Clean Power 2030 objectives.

D.2 The electricity connection queue is actively and effectively managed

This focuses on maintaining an efficient and strategically aligned queue through effective implementation of Connections Reform, management of project progression and transparent monitoring of queue activity.

We continued to progress the enduring connections framework through the submission of updated Connections Reform methodologies to Ofgem. The methodologies support implementation of the reformed process and provide the basis for managing network access in a more targeted and efficient way. NESO's Connections Reform design documents and methodologies explain that the updated documents followed stakeholder feedback, with more than 100 responses received, and that the methodologies were subsequently updated and submitted to Ofgem for review.

The progress made in issuing connection offers to projects within the 2030 pipeline also demonstrates continued implementation of the reformed queue and progression towards a queue increasingly focused on strategically aligned and deliverable projects.

In April 2026, NESO published an update on increasing transparency of connections offers, setting out progress on the first tranche of protected offers, including that around 88% of Gate 2 protected offers had been issued at that point, that more than 1,000 Gate 1 offers had been issued, and that Distribution Network Operators had begun issuing revised offers to customers. The update also referenced development of a cross-industry dashboard, led by the Energy Networks Association, to provide a more consistent view of progress across transmission and distribution.

Further transparency is supported through the Energy Networks Association connections data portal and NESO's Connections Reform timeline, which provide stakeholders with greater visibility of progress across the reformed connections process and the sequencing of future offer issuance.

D.3 Deliver inputs to policy for low-carbon developments

This focuses on supporting Government and Ofgem through policy development and technical expertise relating to low-carbon technologies, future operability requirements and reforms required to deliver a decarbonised electricity system.

During the quarter, the first meeting of the HVDC Connections Steering Committee took place, bringing together stakeholders to consider future operability and modelling challenges associated with major HVDC projects connecting Scotland, England and Wales. These projects are expected to play an important role in increasing network capacity, reducing constraints and supporting delivery of Clean Power 2030.

Alongside wider Connections Reform activity, we continued work to address emerging demand connection requirements and improve coordination across the wider connections ecosystem, including engagement across NESO, network companies, Ofgem and Government. This activity supports the ongoing development of future arrangements required to deliver a resilient, operable and decarbonised electricity system.

Driving Whole-System Resilience

NESO will drive improvements in whole energy system security and resilience by being the catalyst for coordinated and prioritised action across the system to address risks. We will deliver clear insights and advice to our stakeholders through robust analysis, systematic, and topical assessments, reviews, emergency exercises, and plans -grounded in an evolving understanding of system risks and interdependencies. This cycle of continuous learning, assessment, and action will reinforce NESO's position as a trusted technical authority and enhance system resilience.

Summary
Across Q1, we continued to maintain system resilience while progressing the assessments, tools and future capabilities needed to manage an increasingly complex whole energy system. Activity during the quarter focused on maintaining secure system operation, strengthening seasonal security of supply assessments, enhancing operational resilience tools, improving understanding of future adequacy risks and progressing longer-term resilience capabilities.
E.1 A system with maximum up-time and capability to recover quickly from events **This focuses on maintaining a resilient and highly available electricity system; minimising outages and disturbances; supporting system restoration and recovery; coordinating with industry to mitigate risks; and ensuring secure system operation.** During Q1, significant work was undertaken to strengthen restoration readiness and improve the capability to recover quickly from a system event. This included a step change in restoration exercising compared with previous years, moving from a single annual restoration simulation exercise to a wider programme of simulation exercises and desktop training. Around 120 internal ENCC control engineers participated in these activities, alongside more than 110 industry control engineers from eight Transmission Owner and Distribution Network Operator organisations. The programme was designed to increase familiarity with restoration procedures, strengthen coordination across industry participants and improve confidence in responding to restoration scenarios, thereby enhancing whole-system recovery capability. During the period, we published the Summer Outlook 2026 and submitted the Summer 2026 Industry Readiness Report to DESNZ and Ofgem. These assessments provided a transparent view of electricity security of supply, expected operating conditions and the actions available to maintain system resilience over summer 2026. The Summer Outlook highlighted both the opportunities and operational challenges associated with periods of low demand and high renewable generation, while demonstrating how existing operational tools and market arrangements can be used to maintain secure system operation.

NESO also strengthened its operational resilience toolkit through enhancements to the Demand Flexibility Service (DFS) for summer 2026. Updates to the service included the introduction of demand turn-up capability, zonal procurement, a lower eligibility threshold and additional participation routes for industrial, commercial and renewable energy providers. These changes broaden participation, increase flexibility available to system operators and provide additional capability to manage periods of surplus generation while maintaining system security.

Together, these activities demonstrate the effective management of current system resilience risks while strengthening future restoration readiness. Through secure operation, high availability of critical systems, industry coordination, restoration exercising, seasonal preparedness and enhanced operational tools, NESO continues to support a highly resilient electricity system capable of responding to and recovering from a wide range of operational challenges.

E.2 NESO develops future resilience and restoration capability

This focuses on future resilience capability, restoration capability, understanding and mitigating resilience risks, resource adequacy assessments and improving sector resilience through analysis, insight and coordination.

Alongside current operational resilience, we continued to develop our understanding of future adequacy and resilience requirements. During Q1, work commenced on the 2026 Electricity Capacity Report, incorporating lessons learned from previous reporting periods, while publication of the Early View of Winter 2026/27 provided an early assessment that electricity supplies are expected to remain secure next winter. The report also highlighted the need for continued monitoring of global gas markets, European electricity flows, weather conditions and other emerging risks that may affect system margins.

Progress has also continued on longer-term resilience capability during Q1. Activity on Project Juliet advanced during the quarter. In parallel, the Energy Resilience Assessment was released to Ofgem and DESNZ, supporting NESO's role in identifying, assessing and communicating resilience risks across the wider energy system. Work also progressed on demonstrating compliance with the Electricity System Restoration Standard by December 2026, including development of the 2026 Assurance Framework and restoration modelling. This work was positively received by Ofgem and represents an important step in strengthening the evidence base for future restoration capability and assurance.

These activities support the continued development of resilience capabilities, resource adequacy assessments, restoration readiness and analytical approaches that help improve understanding of future resilience risks and support future resilience planning across the energy sector.

Building a Digitally Connected Energy System

NESO will enable a digitally connected energy system through open data, smart standards, AI and interoperable tools accelerating innovation, broadening participation, and driving system-wide efficiency. This will accelerate digitalisation across the energy sector by enabling data access, interoperability, innovation and driving collaboration across the sector.

Summary
Across Q1, delivery under Building a Digitally Connected Energy System focused on improving access to energy system data, progressing data-sharing infrastructure and supporting wider digitalisation across the sector. Activity during the quarter centred on increasing the availability, accessibility and usability of data, while developing digital platforms, analytical capabilities and digital tools intended to support a more coordinated and connected energy system.
F.1 NESO and industry have access to complete, usable, useful data **This focuses on improving the quality, availability, accessibility and usability of data across the energy sector, ensuring stakeholders can access and use relevant data efficiently.** During the period, we continued our focus on improving the quality, availability, accessibility and usability of NESO data, with particular focus on the data served to industry through our Open Data Portal (ODP). From an operational perspective, NESO's open data portal is performing well, maintaining strong availability (99.95%), good API performance (99.95% for standard API calls <3 sec) and responsive customer support (average time to resolve – 3.2 days, 93.44% meeting SLA, 0 complaints). All statistics shown are from June 2026. Additionally, NESO is running a multitrack program to improve 1) the platform - through increased API reliability and performance, particularly for large data sets, and implementing preventative controls and operational improvements to increase the pace and scale of future monitoring, 2) experience with the portal to improve information architecture, intuitive navigation and contextual information, and 3) AI powered intelligent interaction to discover the data, produce analytics and insights from data without downloading and personalized information. All initiatives are on track to be delivered in Q2/Q3 2026-27. Improvements have also been implemented to provide greater visibility of data-sharing requests and their disposition, supporting increased transparency for customers. The

Data Quality Monitoring has now moved from periodic assessment to demonstrating positive results. We conducted a dedicated Open Data Portal customer dialogue webinar, held in May, with 65 participants to enhance and continue the customer feedback and stakeholder engagement. This webinar took place to help customers understand available open data resources, introduce NESO's plans for enriching the service with AI capabilities, and gather feedback to support future development with an opportunity to take part in the testing group for new features. We have identified several opportunities to further strengthen the service, particularly around handling large datasets, improving discoverability of information, increasing transparency of data-sharing decisions and providing a more intuitive user experience.
F.2 Secure and standardised data exchange is established **This focuses on establishing secure, interoperable and standardised data-sharing arrangements across the energy sector, including delivery and adoption of the Data Sharing Infrastructure.** DSI delivery remained on track during the quarter, with seven partners enrolled into the development phase, exceeding the five partners originally identified as necessary to support development of a robust Minimum Viable Product. Stakeholder engagement remained a key focus, with 73 stakeholder engagements undertaken during the quarter and a DSI webinar held in May to support wider industry awareness and engagement. There is extensive engagement taking place across 15 participant organisations (regulated gas and electricity networks, Ofgem and NESO as participants) out of which seven have formally enrolled onto the development phase, with an expectation that the remaining 8 will formally enrol over the next few months. The DSI forms a key part of the wider energy digitalisation landscape and is intended to improve interoperability and accessibility of energy system data through the Data Sharing Infrastructure programme and associated DSI Public Space. Through establishing common approaches to data exchange, DSI is intended to support more efficient collaboration and information sharing across the sector.
F.3 As a digital leader in the industry, NESO progresses its own and sector digitalisation **This focuses on digital leadership, sector digitalisation, interoperability, digital standards, AI, analytics and wider digital transformation across the energy sector.** We have continued to progress developments in the wider sector digitalisation space. Specifically, developing the Architectural Reference Framework (ARF) on behalf of Ofgem and in line with Government's Energy Digitalisation Framework, which sets out a vision for a coordinated and connected energy system supported by improved data sharing, interoperability and digital collaboration. This work is due to complete end of

August/early September with a view of providing clarity on architectural interoperability. This considers the challenge of alignment across the energy system as well as creating a roadmap on how emerging digital infrastructure and artefacts (such as Flexibility Market Asset Register, Consumer Consent Solution, Smart Data Repository and Data Sharing Infrastructure) should be deployed as interoperable, whole system solutions.

Additionally, development of the Sector Digitalisation Plan (SDP) update continued. The SDP takes a whole systems view of how the sector's digitalisation requirements can be met and is due to be published late this year alongside a consultation from Government on the establishment of a 'Digitalisation Coordinator', a role that was advocated for in the original SDP publication. All of this work, the SDP, ARF as well as our work on the DSI together is driving towards leadership on digital transformation of the sector and support wider sector consultation and digital public infrastructure activity. These initiatives contribute towards wider sector digital transformation and interoperability objectives.

We also continued to develop the digital and analytical capabilities required to support delivery of NESO's responsibilities. During the period, NESO increased its focus on artificial intelligence and advanced analytics, including bringing together more than 100 senior leaders to consider how AI can support future decision-making, operational delivery and organisational capability. The event showcased a range of emerging AI applications already being developed across NESO, highlighting how digital tools are beginning to support forecasting, operational decision-making and wider business processes.

We also continued development of the National Energy Location Intelligence Platform (NELI), which is intended to improve access to location-based energy system information and support planning and decision-making across the sector.

Together with ongoing investment in digital platforms, open data and analytics capabilities, these activities support wider digitalisation across NESO and the energy sector, helping build the foundations for a more connected, interoperable and data-enabled energy system.

Providing Customers with a High-quality, Independent and Trusted Service

NESO will provide high-quality, independent and trusted services to our customers and stakeholders across all aspects of our role. This includes building and maintaining a high degree of stakeholder and customer trust; ensuring our plans, strategies and priorities are clearly communicated to provide certainty and enable accountability; improving the transparency of our decision-making and engagement processes; and delivering a robust and impartial code administration function. Through this, we will strengthen confidence in our organisation and support effective participation across the energy system.

Summary
During Q1, we made early progress in establishing a more structured, enterprise-wide approach to strengthening customer and stakeholder trust. Activity during the quarter focused on understanding the drivers of trust, improving customer and stakeholder experience, strengthening the transparency of NESO decision-making, providing greater certainty around plans and priorities, and continuing to provide an independent and trusted service across our responsibilities.
G.1 NESO has a high degree of stakeholder and customer trust **This focuses on building and maintaining stakeholder trust through credible, impartial and reliable delivery, while improving the customer and stakeholder experience across interactions with NESO.** Representative feedback across different stakeholder groups and levels of seniority indicates that NESO continues to be recognised for its technical credibility, expertise and impartiality, particularly in relation to system operation, modelling and engineering. Stakeholders also broadly support NESO's role as a strategic whole-system operator. Feedback suggests confidence is less consistent in areas relating to delivery, including connections reform, timelines, digital systems and customer processes. Stakeholders highlighted the importance of clear ownership, reliable delivery and effective follow-through, alongside greater clarity on roles and accountabilities across NESO, DESNZ, Ofgem and other industry participants. While stakeholders recognise that NESO has inherited a complex remit and remains in transition, there is an increasing expectation that delivery performance and customer experience continue to improve. In response, we are taking targeted action to strengthen stakeholder and customer trust through a more systematic, transparent and consistent approach. This includes improving how we capture, prioritise and respond to feedback, strengthening closed-

loop reporting, enhancing ownership and visibility of actions, and developing a deeper understanding of different stakeholder and customer segments.

We are also improving key customer and stakeholder journeys through process improvements, targeted interventions in areas where experience has been less consistent, enhancements to systems and data, and clearer communications on progress, decisions and trade-offs. These actions are intended to make NESO easier to engage with, more reliable in delivery and more transparent in how decisions are made and commitments are managed.

G.2 NESO's plans and strategies provide certainty to stakeholders and ensure NESO can be held to account for quality and efficiency of delivery

This focuses on providing clarity and certainty through NESO's plans, strategies and business planning processes, helping stakeholders understand NESO priorities, future activities and how delivery will be assessed.

During Q1, we continued to provide visibility of our future priorities and strategic direction through publication of planning and strategy-related outputs. This included publication of the Beyond 2030 Electricity Transmission Update, which sets out NESO's recommendations for future network development across Great Britain and provides greater clarity on future infrastructure requirements, network needs and investment priorities.

Alongside this publication, we released a Stakeholder Approach, Engagement and Feedback Report, outlining how stakeholder engagement was incorporated into development of the recommendations and how feedback informed the final outputs. Together, these publications help provide transparency around future priorities and the evidence underpinning NESO's planning recommendations.

Looking ahead, initial work is due to begin on the next business planning cycle (NESO2). This will provide a clearer basis for articulating future priorities, expected delivery and how NESO will be held accountable for performance against those commitments.

G.3 Improved NESO decision-making transparency

This focuses on ensuring decisions are made transparently, supported by clear evidence, communicated effectively and accompanied by sufficient stakeholder visibility throughout the decision-making process.

We have taken steps to improve the transparency of decision-making through publication of analysis, forward-looking assessments and supporting communications that set out the assumptions underpinning key operational activity.

During Q1, this included publication of the Summer Outlook 2026, which sets out our assessment of demand, supply and system risk for the period ahead, and the Early View of Winter 2026/27, which provides forward-looking analysis of potential future system conditions and emerging risks. These publications provide greater visibility of the evidence and assumptions informing operational planning and decision-making.

We also published an Electricity Margin Notice explainer, helping stakeholders understand when an EMN may be issued and how these decisions should be interpreted. Additional transparency was provided through updates on connections reform progress, increasing transparency of connections offers, and our grid-forming technology explainer.

Collectively, these publications help stakeholders understand how decisions are reached, what evidence supports them and how operational, strategic and technical decisions are communicated.

G.4 NESO provides a quality, independent role as a Code Administrator for the codes it governs

This focuses on maintaining independence, impartiality and high-quality service delivery across NESO's Code Administrator responsibilities, supporting proposers, panels and stakeholders effectively.

Code Governance delivered a strong first quarter, maintaining compliance with licence obligations while supporting a significant increase in code modification activity and preparing for the implementation of Energy Code Reform (ECR). The team continued to administer modifications across the CUSC, Grid Code, STC and SQSS in a fair, transparent and efficient manner, while responding to a growing volume of urgent and strategically significant changes. This included a ~46.51% increase in workgroup activity between Q4 and Q1, reflecting the increasing volume and complexity of industry code change.

As Chair of the Code Administrators Code of Practice (CACoP), we continued to promote collaboration, consistency and best practice across Code Administrators. Feedback was sought from both CACoP members and the Cross-Code Steering Group to identify opportunities to enhance CACoP's effectiveness and the value it delivers to industry stakeholders.

During the quarter, we supported the implementation of Ofgem's ECR reforms by engaging with Code Panels, other Code Administrators and industry stakeholders on the new prioritisation framework. This helped establish a consistent and transparent approach to assessing both new and in-flight modifications. Governance templates, reporting arrangements and internal processes were updated to reflect emerging ECR requirements and support implementation of the future code governance framework, including assessment of change against Ofgem's Strategic Direction Statement (SDS). NESO also responded to ECR consultations during the quarter, helping to shape the development of the reform programme and ensuring operational experience and industry feedback were reflected in policy development.

Alongside business-as-usual delivery, we engaged extensively with Ofgem, RECCo and wider industry stakeholders on ECR transition planning, including Code Manager arrangements, handover activities and future governance requirements. This work

supports NESO's objective of delivering a successful transition while maintaining confidence in the codes and ensuring continued compliance with regulatory obligations. During the quarter, we also received positive written feedback from workgroup members, Panel members and Ofgem on its performance as a Code Administrator, providing further evidence of stakeholder confidence in the quality, independence and effectiveness of the service provided. Overall, Code Governance remained focused on delivering a trusted, independent and high-quality code administration service, while proactively preparing for future regulatory and governance changes across the energy sector.

Reported Metrics

Summary of Reported Metrics

The table below summarises our Reported Metrics for June (Q1) 2026:

	Reported Metric	Performance
1	**Balancing Costs**	June: **£302m**
2	**Demand Forecasting**	June: Forecasting error of **922MW**
3	**Wind Generation Forecasting**	June: Forecasting error of **3.6%**
4	**Skip Rates**	June: Post System Action (PSA) Offers: **34%** Bids: **36%** Combined: **35%**
5	**Security of Supply**	Please refer to section below
6	**CNI Outages**	June: **1** planned, **0** unplanned system outages.
7	**Carbon intensity of NESO actions**	Q1: (April) **11.51gCO_2/kWh** of actions taken by NESO (May) **8.55gCO_2/kWh** of actions taken by NESO (June) **15.07gCO_2/kWh** of actions taken by NESO
8	**Short Notice Changes to Planned Outages**	Q1: (April) **1.43** delays or cancellations per 1000 outages due to a NESO process failure. (May) **1.45** delays or cancellations per 1000 outages due to a NESO process failure. (June) **2.53** delays or cancellations per 1000 outages due to a NESO process failure.
9	**Zero Carbon Operability Indicator**	Q1: Highest ZCO% of **98.64% (April)** after NESO operational actions, based on the CP30 definition of zero carbon.
10	**Day-ahead procurement**	Q1: **95%** balancing services procured at no earlier than the day-ahead stage.
11	**Accuracy of Forecasts for Charge Setting - BSUoS**	Q1: Month ahead BSUoS forecasting accuracy (absolute percentage error) of; April: **14.7%** May: **10.3%** June **3.4%**

1. Balancing Costs

Under NESO1 (April 2026 to March 2028), we publish NESO's outturn balancing costs (including Electricity System Restoration costs) as a Reported Metric to provide clear, accessible transparency on balancing cost outturns, key operational drivers of balancing costs and trends over time. Where we include comparative indicators, these are provided for context only.

We are using a new benchmark methodology for NESO1, which has been developed and expanded from the previous BP3 methodology. The new methodology continues to use the relationship between wholesale prices and monthly balancing costs; however outturn wind has been replaced with a new variable, hypothetical wind penetration.

Hypothetical wind penetration is defined as the ratio of unconstrained wind to national demand. This provides a normalized, objective measure of system stress from wind.

Other changes to the benchmark methodology include:

- Instead of using monthly data points in our calculations, we are using daily data points which allow for a greater sample volume. This increases the number of points from 36 to 1000+.
- We use a daily monthly average cost estimation (an average of the days across the month) multiplied by the number of days in the month, to normalise the data and to eliminate biases from the length of the month, which varies.

The NESO1 benchmark uses two main external drivers:

1. Unconstrained Wind Penetration

Unconstrained wind penetration = Unconstrained wind MWh / National demand MWh

Where:

Unconstrained wind MWh = actual wind output + curtailed wind
National demand MWh = daily total electricity demand

This variable captures system stress before operational decisions are made. In the dataset, this appears as:

wind_penetration_mean = daily average unconstrained wind penetration

2. Day-Ahead EPEX Price (APX)

Daily APX price = average day-ahead APX price in GBP/MWh

This variable captures the market price environment in which balancing actions occur.

In the dataset, this appears as:

day_ahead_price_mean = daily average APX price

Further details on our benchmark methodology and additional supporting information on monthly balancing costs and drivers are also available on our Balancing Cost page here.

June 2026 performance

Figure: 2025-26 Monthly balancing cost outturn versus benchmark

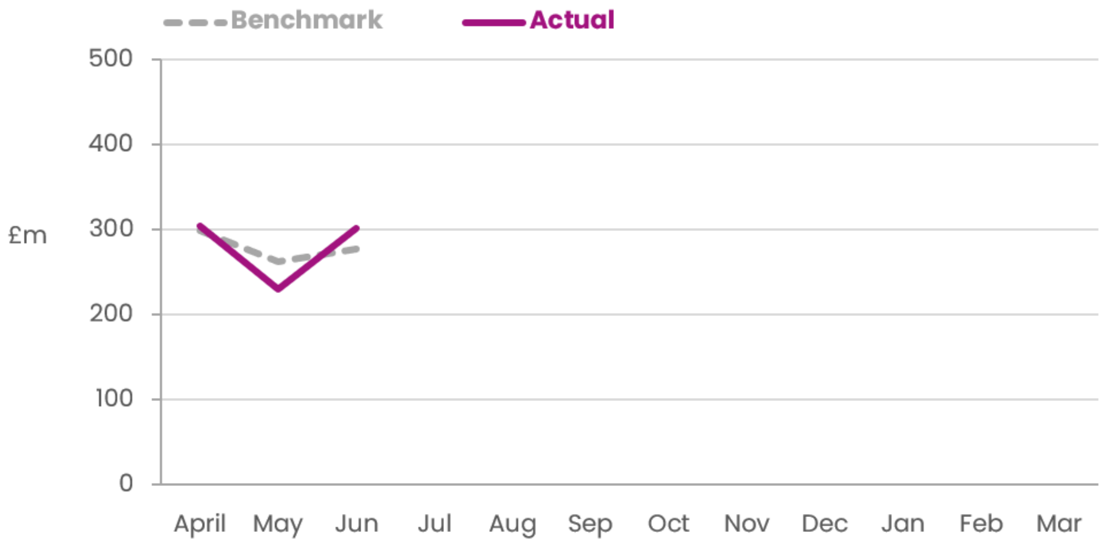


Table: 2026-27 Monthly breakdown of balancing cost benchmark and outturn

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										0.18
Day Ahead APX (£/MWh)	82.5	104.8	100.2										96
Benchmark*	299	262	278										839
Outturn balancing costs[1]	**304**	**238**	**302**										**844**

Previous months' outturn balancing costs are updated every month with reconciled values. Benchmark and outturn balancing costs are rounded to the nearest £m.

[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.

Supporting information

BALANCING COSTS METRIC & PERFORMANCE

This month’s benchmark

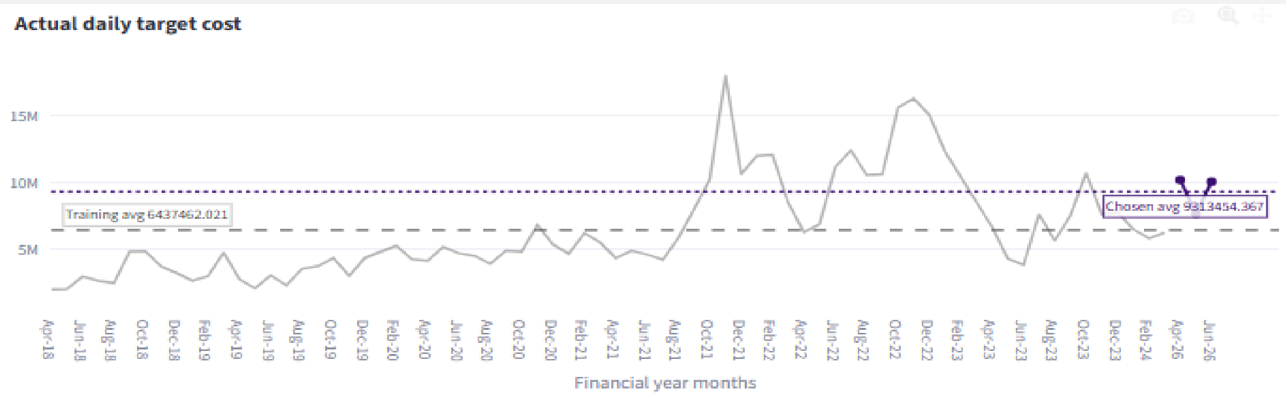
June’s daily average benchmark of £9.3m is £0.8m higher than May’s and reflects:

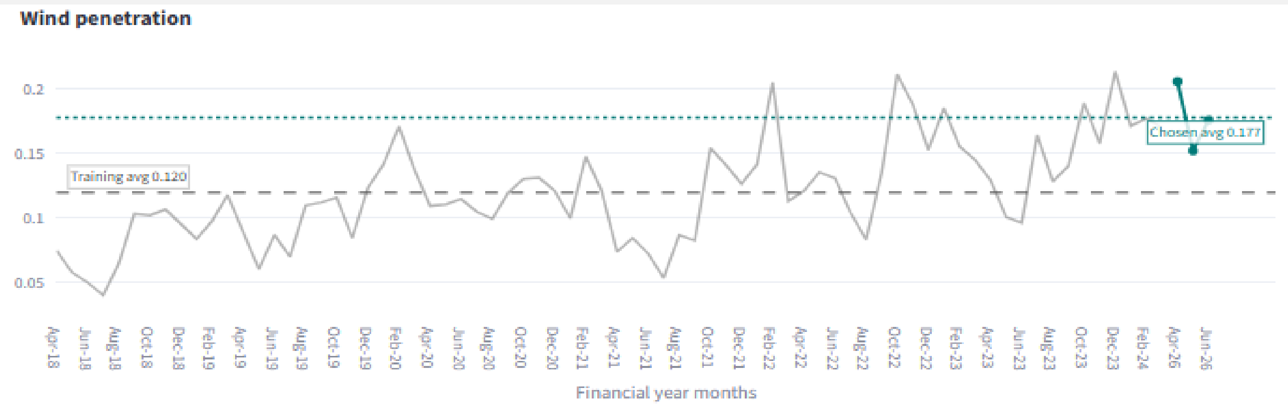
Wind penetration (June ↑ vs May): June shows higher wind penetration than the previous month, indicating a shift to a different operating regime relative to May. In the model, higher wind penetration is consistent with increase of the balancing pressure and higher average daily costs, helping explain the observed ~£1.5m increase in the daily average from May to June.

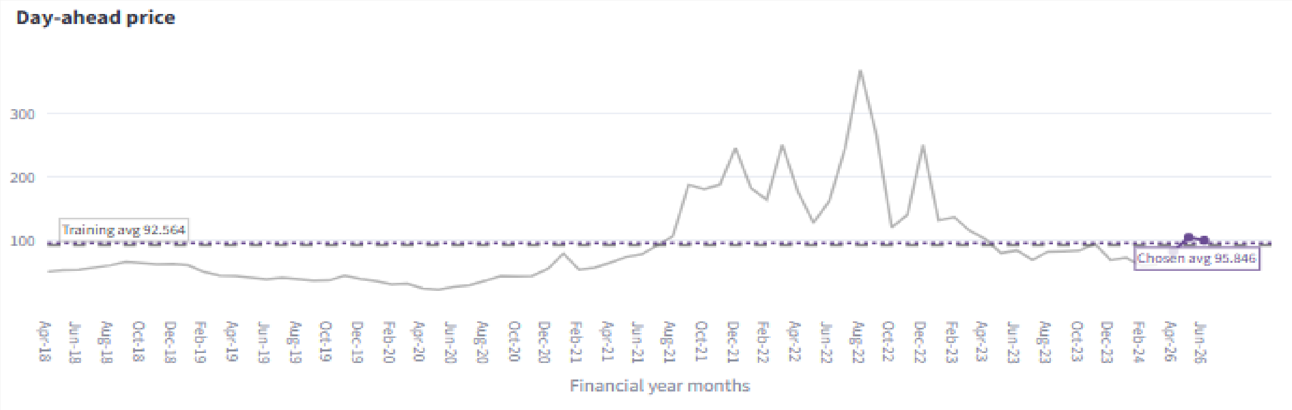
Day-ahead price (June ↓ vs May): June’s higher day-ahead prices compared with May point to a more expensive wholesale backdrop during the period being analysed. Because day-ahead price is a main feature for the model estimating average daily cost, this worked together the upward shift in costs we saw from wind penetration, likely increasing total balancing costs for this month.

Overall, the wind penetration increase has in weighed the increase in wholesale costs and resulted in higher balancing costs this month.

Training Period —●— Chosen Period







Balancing Costs - Overview

The total balancing cost for June was £302m, which is £24m (~9%) above the benchmark of £278m.

Wind outturn rose in June to 4.6TWh up from 4.4TWh in May, with the increase in wind outturn in England & Wales offsetting the decrease in outturn observed in Scotland. Similar to May, June was a month of two halves with unsettled and cooler weather in the first half, with some windy periods. However, this was followed by rising temperatures and a record-breaking heatwave in the second half of the month, with a provisional new UK June maximum temperature set of 37.7°c. The heatwave was the major factor in NESO sending out two Electricity Margin Notices (EMN) on 24 and 26 June. Despite the tough operating conditions; total balancing costs on these days were £10.1m and £6.0m respectively, which are not considered high cost days.

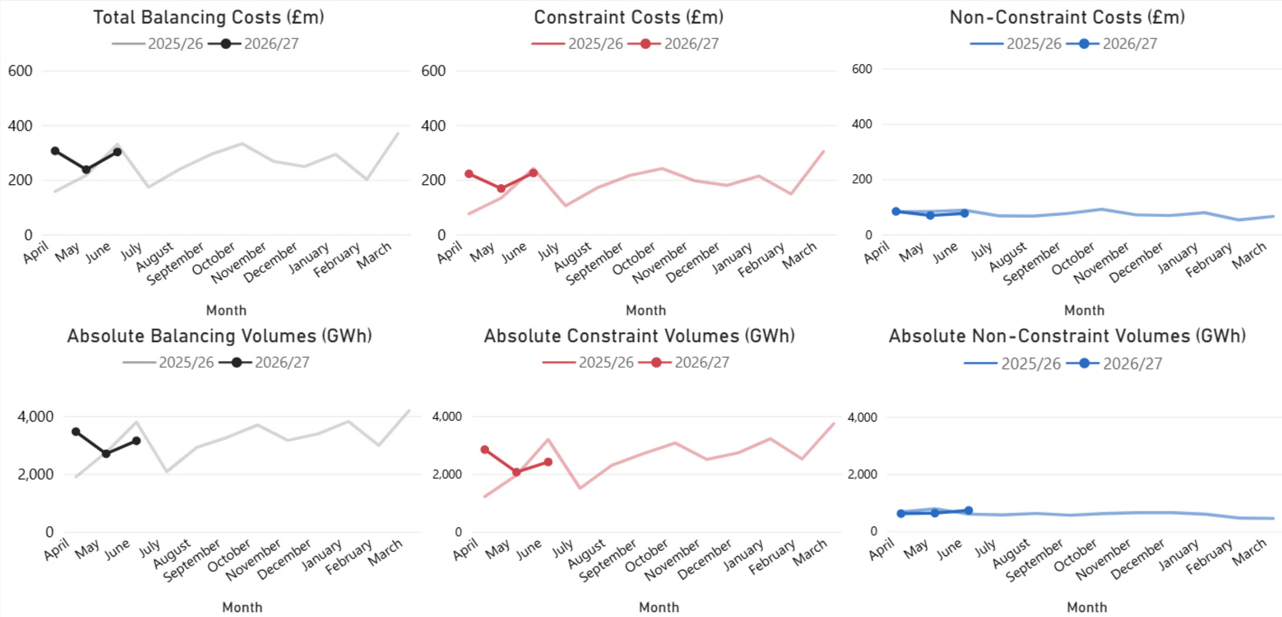
June saw several high-cost days due to a rise in wind outturn and the impacts of high temperatures throughout the month causing a reduction in both generator and network capacity. June's average TSD was both higher than May 2026 and June 2025, largely down to hotter temperatures causing a rise in demand especially in the overnight period.

Voltage constraints increased to £34.3m in June, up by £0.3m from May. Due to the higher renewable generation on the system (especially embedded solar), more synchronous units were procured through the Balancing Mechanism, with the highest volumes in the southwest. There was an increased spend on inertia compared with May, for similar reasons to the rise in voltage costs.

Non-constraint costs have increased in June to £76.8m from £69.1m in May. Factors behind this increase include higher spend in Operating Reserve and Restoration offsetting the reduction in Response costs compared to May. The volume of non-constraint actions has increased by 96GWh from May. Month-on-month increases in the average clearing prices for DM/DC/DR has contributed to this increased spend, despite a drop in the absolute volume of response procured.

Wholesale electricity prices decreased slightly in June 2026 primarily down to the reduction in gas prices and increased renewable generation, despite reliance on gas generation during the heatwave. The volume weighted average (VWA) price of bids in June was £8.85/MWh, which is more expensive than May's price of £24.02/MWh. The positive bid price reflects that a greater proportion of the total monthly bid volume was taken on fuel types other than wind, similar to what we observed in May. CCGT bids took up the second highest volume of bids at 19%. The VWA price of offers increased to £175.07/MWh from £162.32/MWh despite the drop in power and gas prices.

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



*Please note that the charts above show absolute volume rather than net volume.

2. Demand Forecasting

Under NESO1 (April 2026 to March 2028), we publish demand forecasting as a Reported Metric to provide transparent reporting on forecast accuracy and how this is evolving over time. This supports our focus on high-quality system operation inputs and their effective use in real-time operational decision-making. For context, we also show comparisons with the previous year and the average of the previous five years for the same month.

This Reported Metric measures the average absolute MW error between day-ahead forecast demand (taken from Balancing Mechanism Report Service (BMRS) as the National Demand Forecast published between 09:00 and 10:00) and outturn demand (taken from BMRS as the Initial National Demand Outturn) for each half hour period. BMRS is now known as Elexon Insights[2].

In settlement periods where the Demand Flexibility Service (DFS) is instructed by NESO, this will be retrospectively accounted for in the data used to calculate performance.

June 2026-27 performance

Figure: 2026-27 Monthly absolute MW error vs Indicative Benchmark

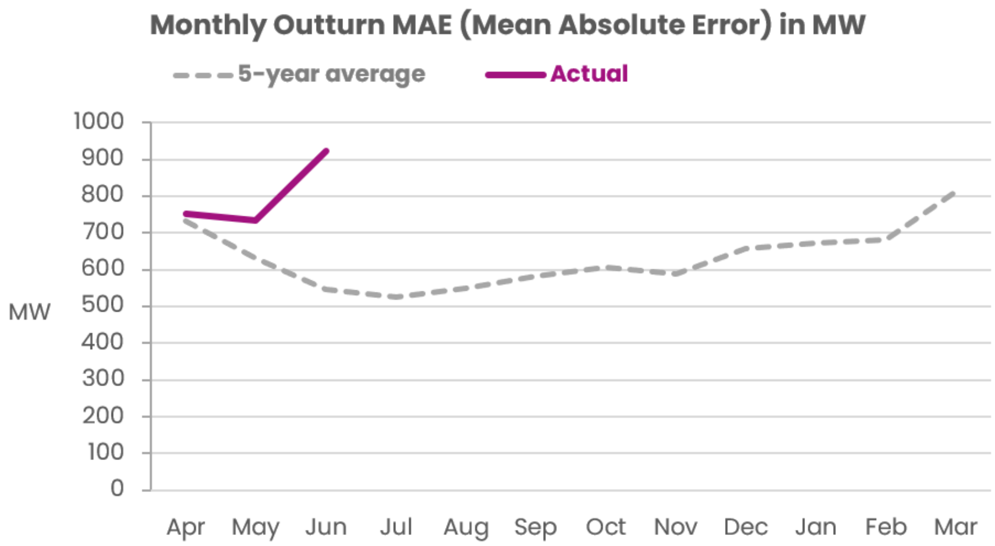


Table: 2026-27 Monthly absolute MW error vs Previous 5-year average

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Previous 5-year Average (MW)	732	630	546	525	548	583	606	588	657	671	680	813
Previous year outturn (MW)	671	692	616	584	579	702	711	641	626	662	717	985
Absolute error (MW)	**754**	**735**	**922**									

[2] Home | Insights Solution

Supporting information

In June 2026, demand forecasting error averaged 922MW, against the previous 5-year average of 546MW. YTD performance is currently 803MW, vs 5-year average of 636MW.

The first two weeks of June were dominated by cloudy, wet and sometimes windy Atlantic weather, keeping daytime temperatures generally in the high teens. From mid-month, heat built across central and southern England and Wales, leading to heatwave conditions. Rare Met Office Red Warnings for Extreme Heat were issued over three consecutive days and (for June) record high temperatures were experienced in the latter part of the for the month.

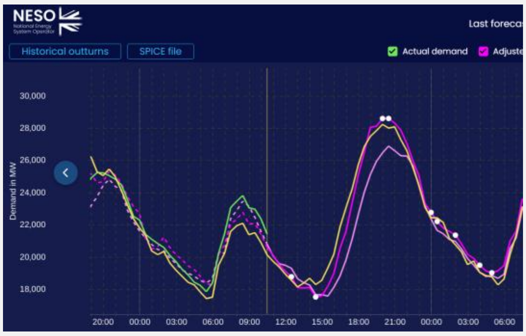
These unprecedented high temperatures created uncertainty and forecasting difficulties, with existing tools and AI/ML models struggling to transition to the changing or extraordinary conditions. Solar panel performance also appeared affected by the extreme temperatures. In general, solar forecasting performance has been the major obstacle, but all these factors contributed to making June an exceptionally challenging month.

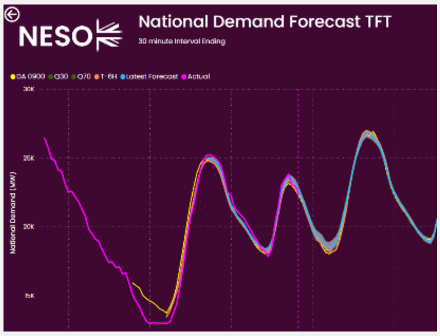
The football World Cup 2026 started, but so far has had limited effect on demand due to being in the early stages and many GB games happening very late in the evening or overnight. However, England-team games have mustered strong national interest and influence, with some large TV pick-ups forecast and observed.

The largest absolute Day-Ahead demand error this month was 4.6GW on 8 June, SP33.

The minimum demand was 13.1GW on 13 June, SP30. The maximum demand was 31.7GW on 25 June, SP40. Solar generation peaked at 14.9GW on 25 June.

Work continues on rebuilding our National Demand forecast models. These adopt Machine Learning/AI technology and will make use of the latest generation weather data.

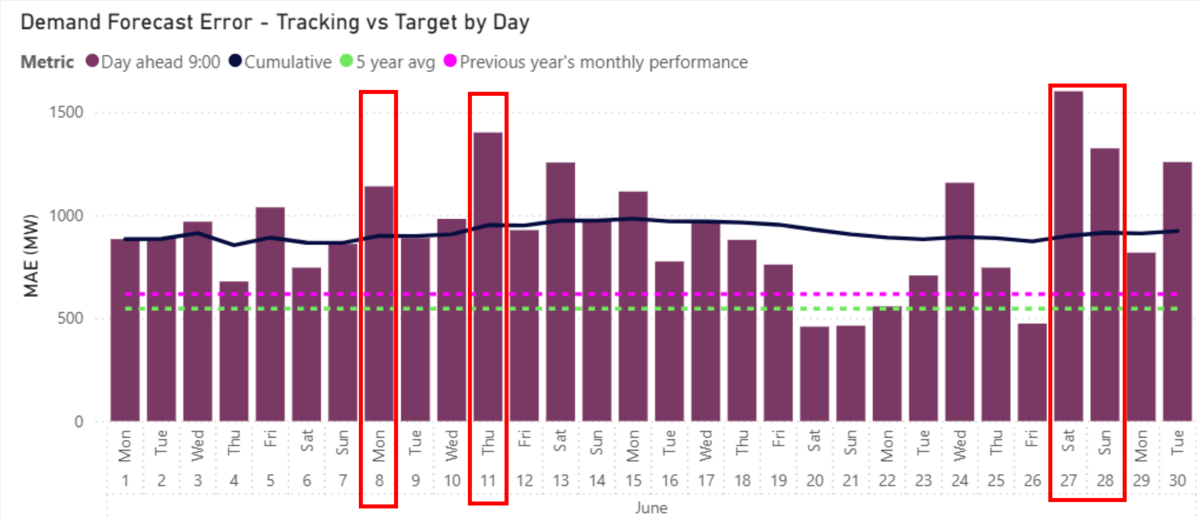


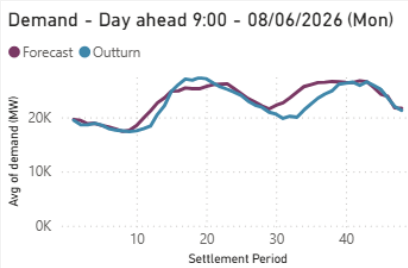


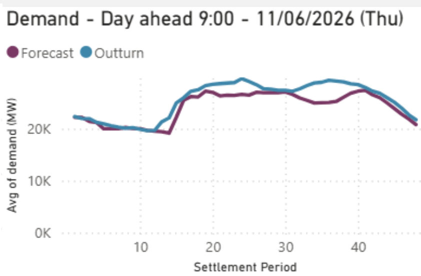
Migration of IT services over to an independent NESO tenant has suppressed development progress, along with sustained work to comply with enforced upgrades by Microsoft. NESO now expects to release to production in Q3 2026.

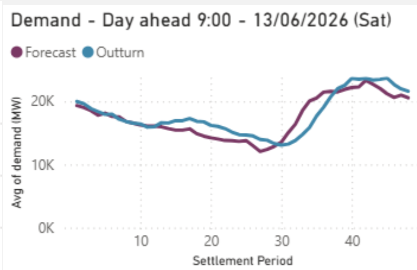
Solar continues to be the largest influence on the Metric performance. The new solar models perform well under overcast or clear-sky conditions, but further weather and model improvements are necessary to cope with changing circumstances.

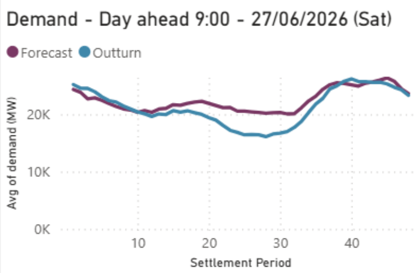
Days of Interest:

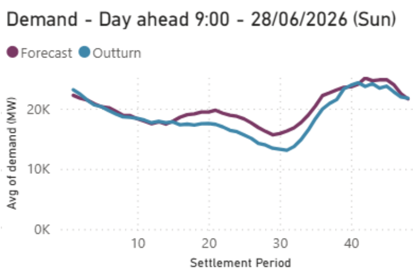




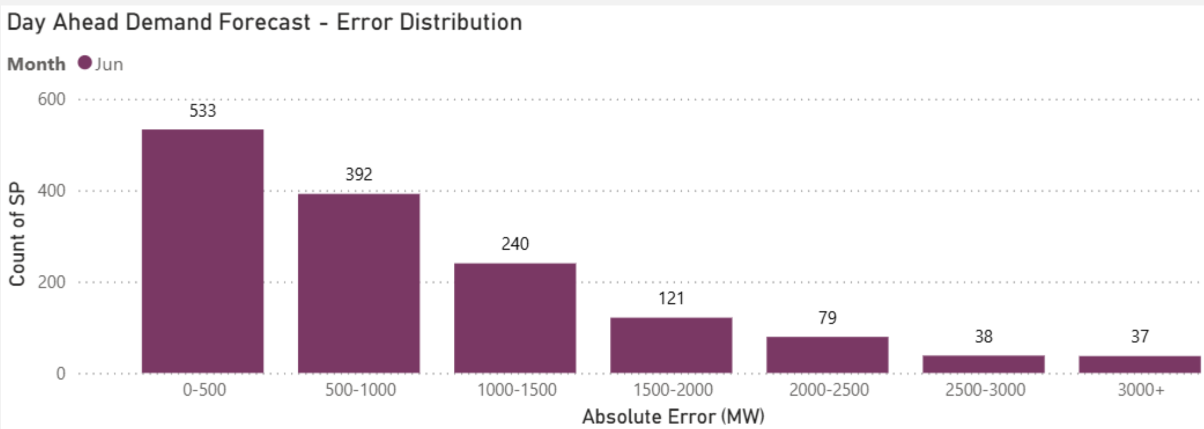




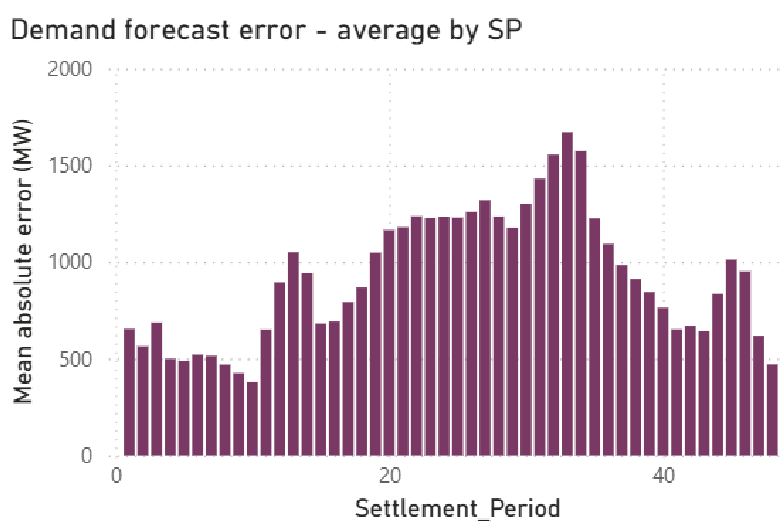




The distribution of settlement periods by error size is shown below:



The distribution of average error by settlement period is shown below:



Details of largest errors:

Day	Error (MAE)	Major causal factors
11	1401	Forecast errors due to solar PV forecast errors.
27	1601	Forecast errors due to solar PV forecast errors and to changes in human behaviour with unusually high temperatures.
28	1324	Forecast errors due to solar PV forecast errors and to changes in human behaviour with unusually high temperatures.

Missed / late publications

There were no late or missed publications in June.

Demand Flexibility Service

Demand Flexibility Service (DFS) was used on 23 days in June, with an accumulated total of 2253MWh procured. These will nominally affect the national demand outturns but are not included in the day ahead forecast.

3. Wind Generation Forecasting

Under NESO1 (April 2026 to March 2028), we publish wind generation forecasting as a Reported Metric to provide transparent reporting on forecast accuracy and how this is evolving over time. For context, we also show comparisons with the previous year and the average of the previous five years for the same month.

This Reported Metric measures the average absolute error between day-ahead forecast (between 09:00 and 10:00, as published on NESO data portal) and post-event outturn wind settlement metering (as published on the Elexon insights portal) for each half hour period as a percentage of capacity for BM wind units only. The data will only be taken for sites that:

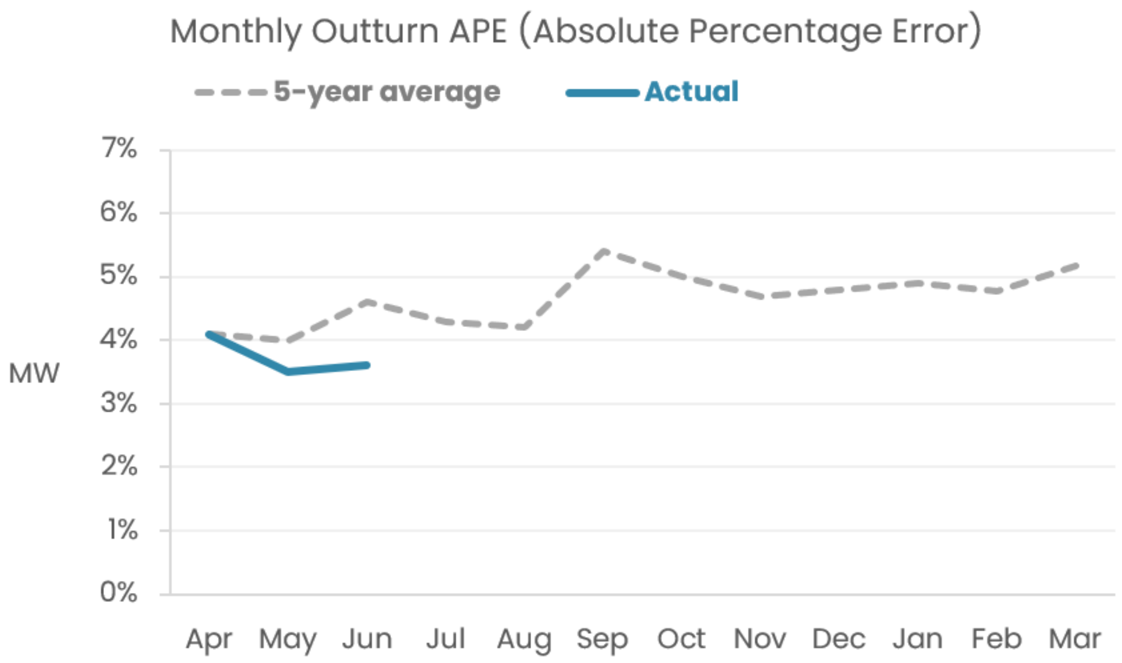
- did not have a bid-offer acceptance (BOA); and
- did not withdraw availability completely between time of forecast and time of metering; for the relevant settlement period. We publish this data on its data portal for transparency purposes.

Sites deemed to have withdrawn availability are those that:

- re-declare maximum export limit (MEL) from a positive value day-ahead to zero at real-time; or
- re-declare their physical notification (PN) from a positive value day-ahead to zero at gate closure of the Balancing Mechanism.

June 2026-27 performance

Figure: 2026-27 BMU Wind Generation Forecast APE vs Indicative Benchmark



	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Previous 5-year average (%)	4.1	4.0	4.6	4.3	4.2	5.4	5.0	4.7	4.8	4.9	4.8	5.2
Previous year outturn (%)	3.9	4.1	5.6	3.8	4.1	5.7	4.4	5.3	4.4	4.9	4.7	4.2
APE (%)	**4.1**	**3.5**	**3.6**									

Supporting information

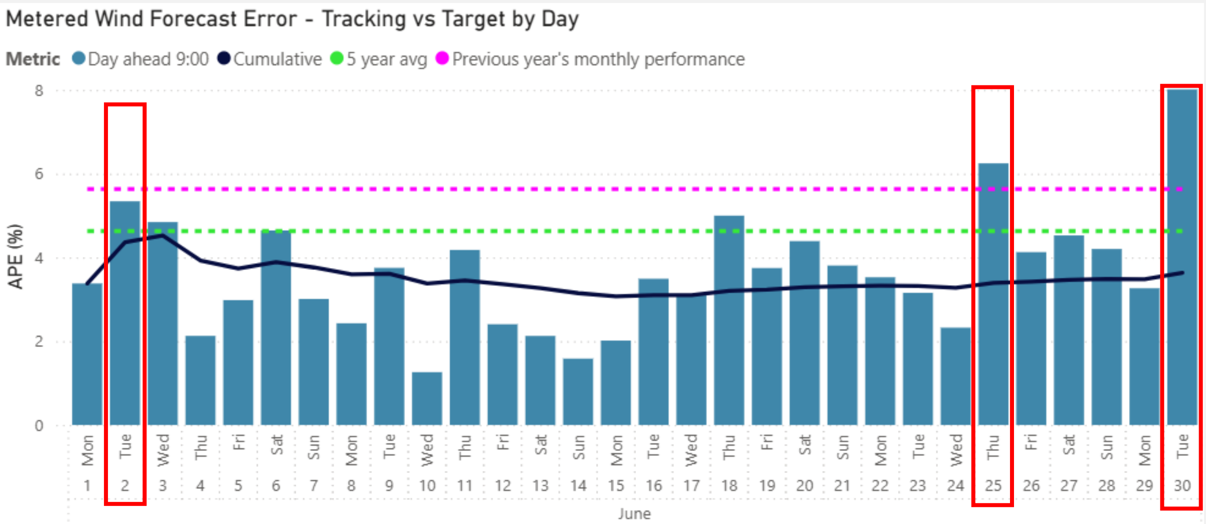
In June 2026, BMU wind forecasting error averaged 3.63%, against the 5-year average of 4.63%. YTD performance is currently 3.71%, vs 5-year average of 4.24%.

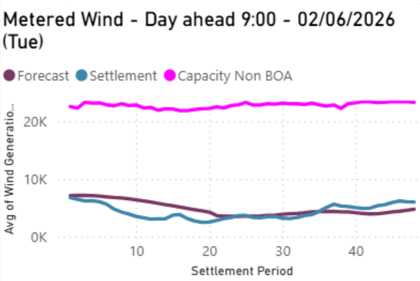
Metric-adjusted wind generation peaked at 14.0GW on 3 June, SP34. Wind forecast absolute error peaked at 3.3GW on 11 June, SP43.

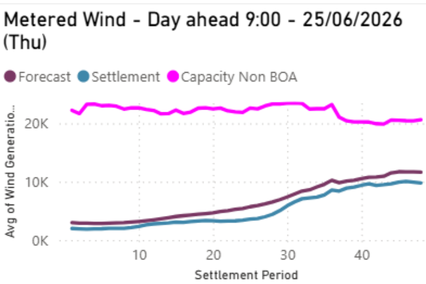
Work continues on the wind-direction feature. Migration of IT services over to an independent NESO tenant has suppressed development progress and we now expect to release to production in Q3 2026. From Q3, we intend to focus on enhancing our within-day capability.

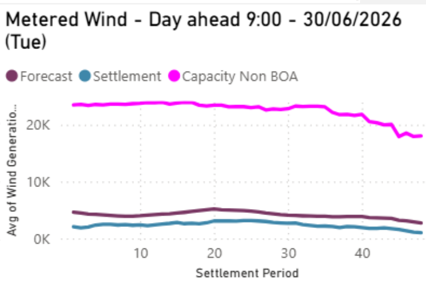
The >35hrs horizon-time continues to be the largest influence on the Metric performance. The wind models perform well under all conditions, but further weather-forecast and insight-improvements are necessary to make significant performance gains.

Days of Interest:

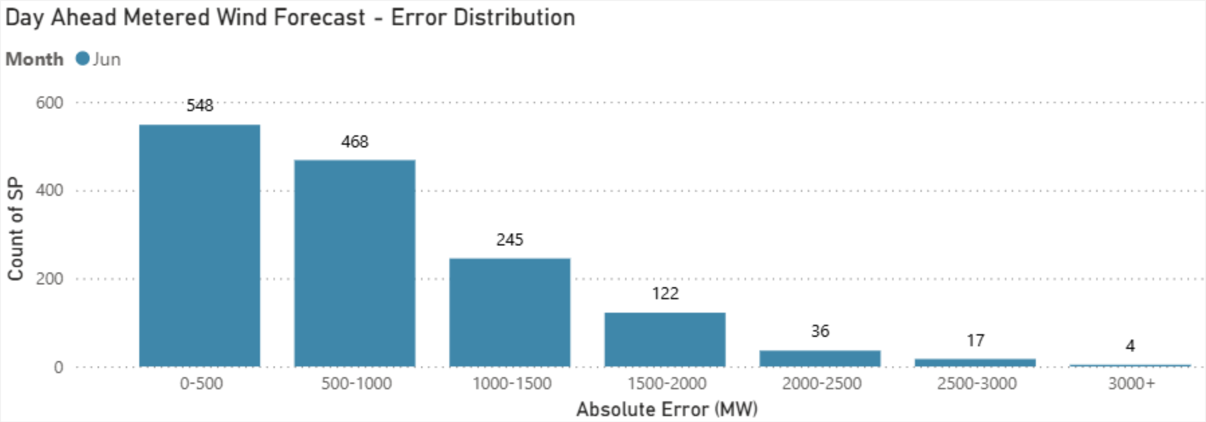




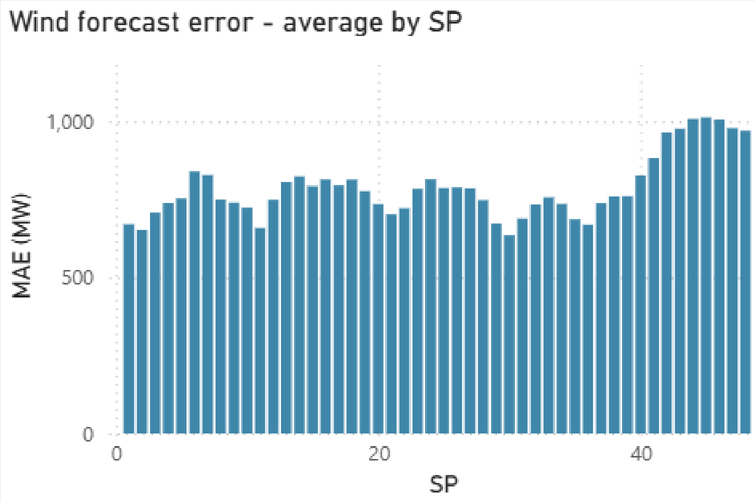




The distribution of settlement periods by error size is summarised below:



The distribution of average error by settlement period is shown below:



Details of largest errors:

Day	Error (APE)	Major causal factors
2	5.3	Wind speed forecast errors at day-ahead stage
25	6.3	Wind speed forecast errors at day-ahead stage
30	8.0	Wind speed forecast errors at day-ahead stage

Missed / late publications

There were no missed or late publications in June.

4. Skip Rates

Under NESO1 (April 2026 to March 2028), we publish skip rates as a Reported Metric to provide transparent reporting on dispatch efficiency, key drivers of outcomes and trends over time. Alongside the data, we set out the actions we are taking, with industry, to improve performance and reduce avoidable skips.

NESO has an obligation to operate a safe, reliable and efficient system. In consultation with industry, we have developed the Energy Balancing skip rate (previously referred to as 'PSA') as a measure of dispatch efficiency of energy balancing actions. We also developed a methodology for measuring skip rates behind thermal constraints, which we will start reporting later in the year. A skip occurs when a non-economic dispatch decision is made due to the NESO Control Room sending an instruction via BOA (Bid Offer Acceptance) at a higher price than an alternative could have been taken. Some skips are unavoidable due to asset dynamics and transmission limits while others may occur as a result of optimising the lowest cost over the day.

Our aim is to provide transparency on dispatch decision-making and to work with industry to reduce avoidable skip rates over the NESO1 period, supporting efficient balancing actions and robust control room processes.

This Reported Metric currently measures the combined skip rate for bids and offers based on stage 5 of the Energy Balancing methodology. For this metric we currently have a target of an average rate of 30% from January to the end of June 2026. This methodology will be updated with necessary changes agreed with industry (e.g. incorporating new parameters as defined by GC0166). More information on the skip rate definition and methodology can be found here.

Graph: 2025-27 Monthly % Energy Balancing Skip rate Offers and Bids

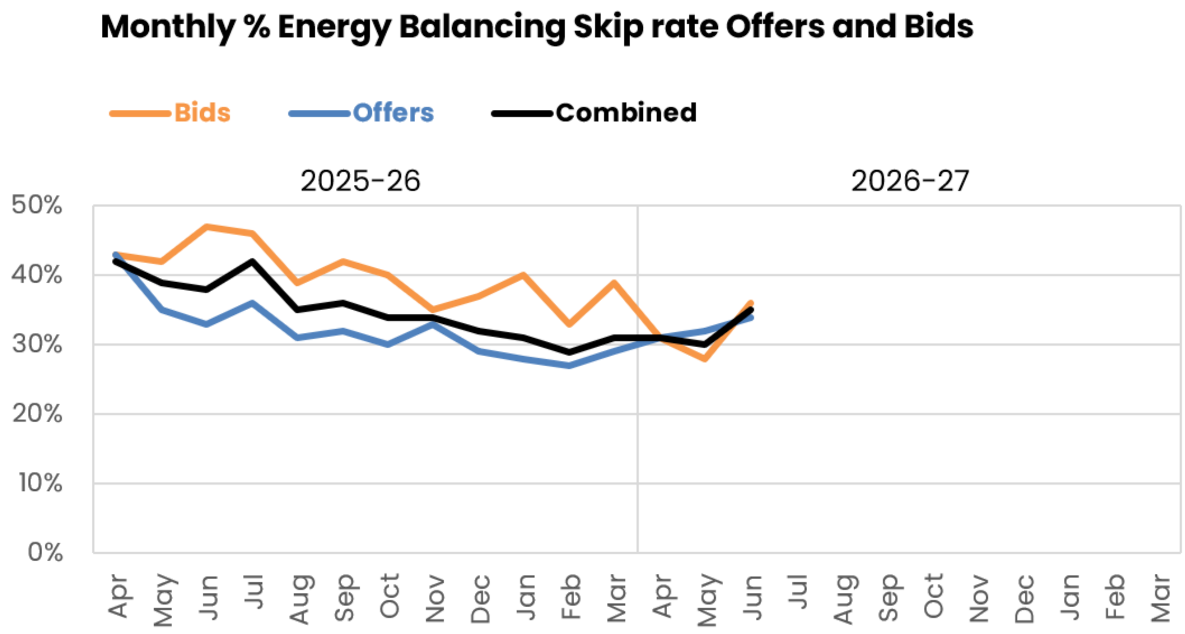


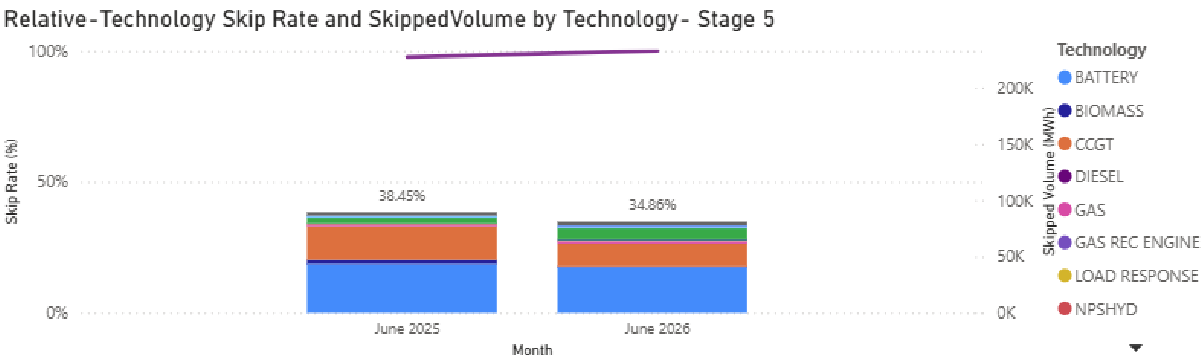
Table: 2026-27 Monthly % Energy Balancing Skip rate Offers and Bids

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Offers	31%	32%	34%									
Bids	31%	28%	36%									
Combined	31%	30%	35%									

Average skip rate January-June: (vs target of 30%): **31%**

Energy Balancing Skip Rate: June 2025 versus June 2026

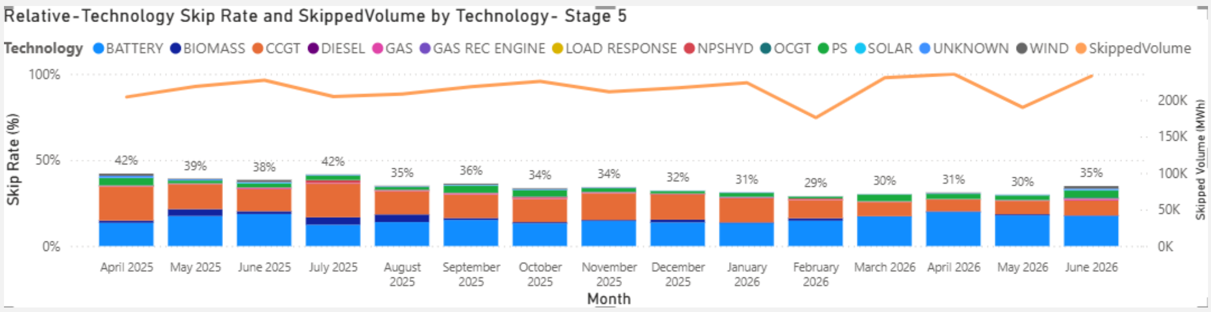
The combined skip rate in June 2026 decreased by 3 percentage points year-on-year. While absolute skipped volume remained flat at 23 GWh across both periods, in-merit volume grew from 59 GWh in June 2025 to 67 GWh in June 2026. This means we are dispatching significantly greater volumes for energy balancing while maintaining the same volume of out-of-merit actions — effectively executing a higher proportion of instructions in merit order. This improvement is underpinned by enhanced control room tooling and greater operator visibility into the drivers of skips, supporting better-informed dispatch decisions.

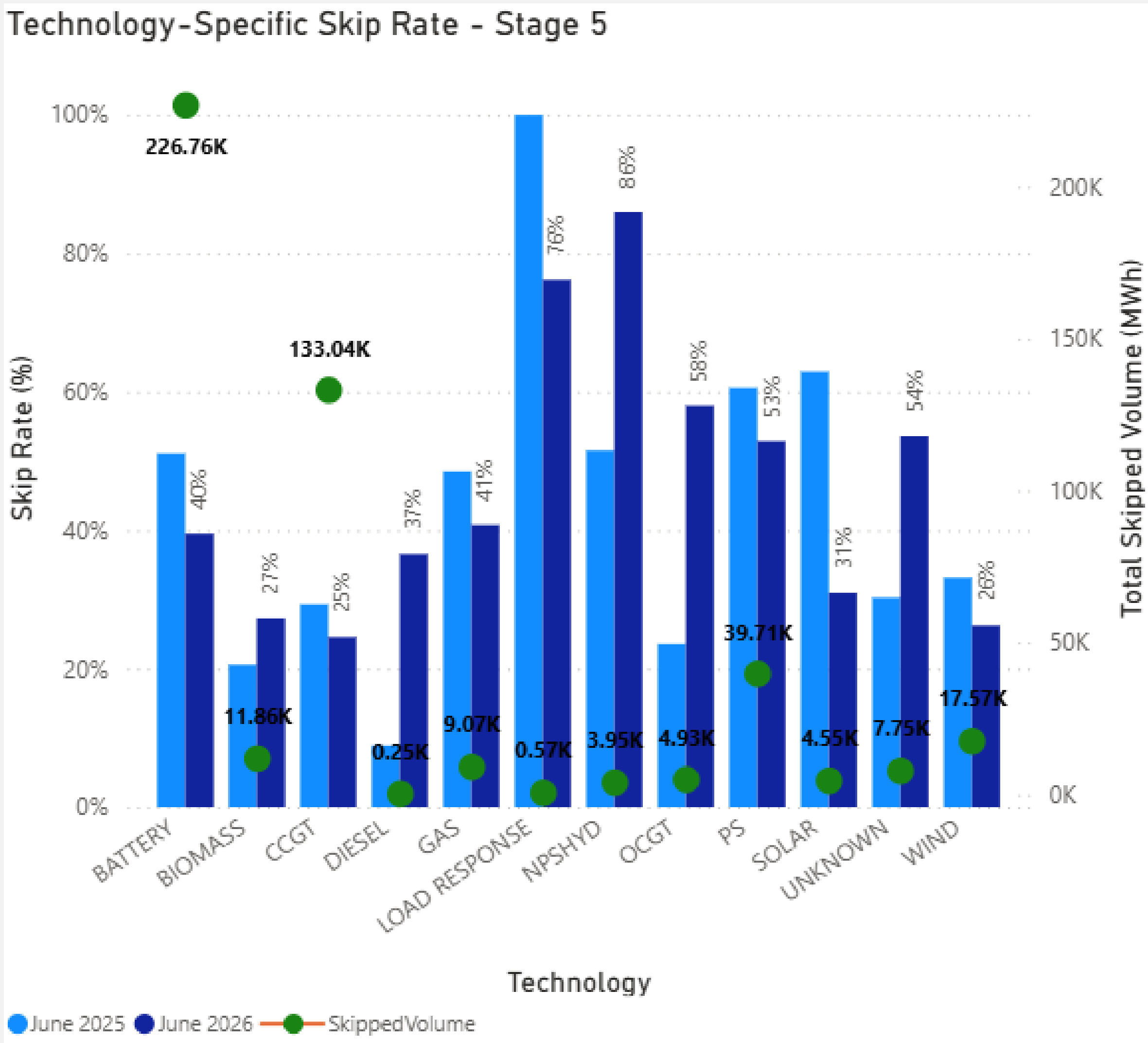


Supporting information

JUNE PERFORMANCE – COMBINED BIDS AND OFFERS

The combined bid and offer skip rate stood at 35% in June. The average skip rate for January to June is 31%, which is slightly above the target of 30%. We are carrying out further analysis to better understand the drivers behind the increase in June, which led to the outturn being slightly above target. Early indications suggest that operationally challenging days, higher-than-forecast demand, and exceptionally hot weather may have contributed to the increase in skip rate during the month. In the broader context, there has been material progress, with the average skip rate reducing from 41% between January and June 2025 to 31% over the same period in 2026.





The combined technology-specific skip rate has continued to trend down for most technology types between June 2025 and June 2026. Most notably, Battery — which carried the largest skipped volume at 110 GWh in June 2025 — has seen its skip rate fall from approximately 51% to 40%, a reduction of 11 percentage points. Battery in-merit volume has increased significantly from 215 GWh in June 2025 to 295 GWh in June 2026, indicating more balancing decisions involving battery units. CCGT, the second-largest contributor to skipped volume at 75 GWh in June 2025, has reduced its skip rate from approximately 29% to 24% — a reduction of 5 percentage points. CCGT in-merit volume has decreased from 257 GWh in June 2025 to 235 GWh in June 2026. Pumped Storage has improved from 61% to 53% (-8pp), and Gas from 48% to 40% (-8pp). Wind, with a skip rate of 33% in June 2025, has decreased to approximately 26% in June 2026 (-7pp).

Conclusion
Across the majority of technology categories, skip rates have declined year-on-year between June 2025 and June 2026, with several exhibiting reductions exceeding 5 percentage points with the exception of technologies like Biomass whose skip rate increased from 21% in June 2025 to 27% in June 2026 and NPSHYD whose skip rate increased from 52% in June 2025 to 97% in June 2026. Network constraints in Scotland became far more active/binding in June 2026, affecting almost every NPSHYD unit. We are still investigating the reason for this increase in skip rate.

Note: In the technology specific skip rate graph 'Gas' refers to gas reciprocating units, which are typically small, aggregated units. 'Load Response' is based on the fuel type category used by Elexon. These are typically Demand Side Flexibility (DSF) units. We have published a dedicated dataset to report skip rates for DSF units and incorporated this into our external dashboard.

The commentary below explains the change in bids and offers by technology type between the last two months.

Please visit our website for the latest skip rates dashboard.

Bid
The Bid skip rate has increased from May (28%) to June (~35%), and the skipped volume has increased from 107 GWh to approximately 132 GWh. CCGTs accounted for a slightly higher proportion of the skipped volume in June (9%) compared to May (8%) and the Technology Specific skip rate for CCGTs has risen to 25% in June from 22% in May. Batteries account remained almost flat for relative-technology skip rate of ~18% in both May and June and the Technology Specific skip rate has increased from 35% to 39.5%. Battery in-merit volume has decreased from 194 GWh to ~178 GWh while skipped volume has increased (67 GWh to ~70 GWh).

Bid skip rates in June 2026 were volatile week-to-week, driven in part by battery dispatch challenges and system constraints. Battery technology dominated bid skipped volume throughout June, with its technology-specific skip rate varying from 34% (week of 1 June) to 47% (week of 22 June). CCGT skip rates also ranged from 22% (week of 8 June) to 33% (week of 1 June). Accepted out-of-merit bid volume was typically from CCGT units.

Offers

The offer skip rate increased from 32% in May to 34% in June, driven by an increase in the volume required for energy balancing (254 GWh in May vs 297 GWh in June). CCGTs accounted for a slightly lower proportion of skipped volume in June (~8%) as compared to May (~10%), though the technology-specific skip rate decreased from 27% in May to 21% in June. Batteries accounted for a lower proportion of skipped volume in June (16%) compared to May (18%), but the technology-specific skip rate increased from 36% to 40%. This was driven by a proportionally larger reduction in in-merit volume (128 GWh in May to 117 GWh in June) relative to skipped volume (46 GWh in May to 47 GWh in June).

Offer skip rates in June 2026 saw high skipped volumes on days with large energy balancing needs, where the in-merit volume was also high.

5. Security of Supply

Under NESO1 (April 2026 to March 2028), we publish security of supply as a Reported Metric to provide clear, accessible transparency on system security outcomes and trends over time. Reporting focuses on frequency and voltage excursions, the drivers behind them, and the actions we are taking to manage and mitigate risks to secure operation.

This Reported Metric shows when the frequency of the electricity transmission system deviates more than ± 0.3Hz away from 50 Hz for more than 60 seconds, and where voltages are outside statutory limits. On a monthly basis we report instances where:

- The frequency is more than ± 0.5Hz away from 50 Hz for more than 60 seconds
- The frequency was 0.3Hz - 0.5Hz away from 50Hz for more than 60 seconds.
- There is a voltage excursion outside statutory limits. For nominal voltages of 132kV and above, a voltage excursion is defined as the voltage being more than 10% away from the nominal voltage for more than 15 minutes, although a stricter limit of 5% is applied for where voltages exceed 400kV.

Excursion events are categorised as Secured and Unsecured under SQSS:

Secured under SQSS:	Excursions resulting from events that the GB transmission system is secured against, i.e., voltage and frequency expected to remain within statutory and licence obligations.
Unsecured under SQSS	Excursions resulting from exceptional or catastrophic system contingencies, such as simultaneous or cascading trips and events caused by natural disasters, catastrophic infrastructure failures, among others causes that are explicitly outside the SQSS security criteria where system operation outside statutory and licence obligations is not preventable or secured for.

For context, the Frequency Risk and Control Report 2025 defines the appropriate balance between cost and risk, and sets out tabulated risks of frequency deviation as below:

Scenario	120 GVA.s	102 GVA.s
49.5 Hz event	3.48 times per year	3.49 times per year
49.2 Hz event	1-in-10.71 years	1-in-10.70 years
48.8 Hz event	1-in-27.94 years	1-in-27.87 years
50.5 Hz event	1-in-88.21 years	1-in-88.28 years

Also, for additional context here is the figures from the Frequency Risk and Control Report 2024:

Scenario	140 GVA.s	120 GVA.s	110 GVA.s	102 GVA.s
49.2 Hz event	1-in-27 years	1-in-27 years	1-in-27 years	1-in-27 years
48.8 Hz event	1-in-30 years	1-in-30 years	1-in-30 years	1-in-30 years

At the end of each year, we report on compliance with frequency control methodology and plans for any future changes to the methodology.

June 2026-27 performance

Table: Frequency and voltage excursions (2026-27)

		2026-27											
		Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Frequency excursions (more than 0.5 Hz away from 50 Hz for over 60 seconds)	Secured under SQSS	0	0	-									
	Unsecured under SQSS	0	0	-									
Instances where frequency was 0.3 – 0.5 Hz away from 50Hz for over 60 seconds*		0	1	-									
Voltage Excursions defined as per Transmission Performance Report2F.[3]	Secured under SQSS	0	0	-									
	Unsecured under SQSS	0	0	-									

*These frequency excursions do not fall under the statutory and licence reporting obligations but are provided for transparency.

Supporting information

During an unprecedented period of extreme heat and tight margins across Great Britain and Europe in late June, electricity system margin notices were issued. The electricity system operated reliably throughout this period. Following whistleblower allegations regarding operational decision-making and record-keeping within NESO, an independent external investigation has been launched by Eversheds Sutherland International, which will report to an independent panel. Separately, Ofgem has used its regulatory powers to formally commission NESO to deliver post-event analysis and assessment of the incidents of system

[3] https://www.neso.energy/industry-information/industry-data-and-reports/system-performance-reports

stress during extreme heat across the week of 22 June. You can read the terms of references for these on our website. We have not included any security of supply metrics or associated commentary for June in this report pending the outcomes of both the investigation and the review. These will be included in a future report.

6. CNI Outages

Under NESO1 (April 2026 to March 2028), we publish CNI outages as a Reported Metric to provide clear, accessible transparency on service availability outcomes and trends over time. This reporting supports our focus on whole system resilience by helping stakeholders understand the number, duration and drivers of planned and unplanned outages, alongside the actions we are taking to reduce outage risk and improve resilience.

This Reported Metric shows the number and length of planned and unplanned outages to Critical National Infrastructure (CNI) IT systems.

The term 'outage' is defined as the total loss of a system, which means the entire operational system is unavailable to all internal and external users.

June 2026-27 performance

Table: 2026-27 Unplanned CNI System Outages (Number and length of each outage)

Unplanned	2026-27											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Balancing Mechanism (BM)	0	0	0									
Integrated Energy Management System (IEMS)	0	0	0									

Table: 2026-27 Planned CNI System Outages (Number and length of each outage)

Planned	2026-27											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Balancing Mechanism (BM)	0	0	1 outage 115 mins									
Integrated Energy Management System (IEMS)	0	0	0									

Supporting information

In June 2026 there was one planned CNI system outage. The outage was to carry out a software update, along with regular maintenance activities on the BM production systems, and impacted the key BM Suite components used for scheduling and dispatch of generation.

This change took place 4 June, and was planned in advance, in collaboration with our control rooms to ensure it did not introduce a conflict with other known periods of high activity. Notifications are posted to the industry, via BMRA, at 7 days prior and 1 day prior.

On the day of the outage, our control rooms are again consulted to confirm that conditions remain suitable to proceed with the change or, if required, whether the change must be rescheduled.

Additionally, on the day, notifications are posted to the industry, via BMRA, when the outage is due to start, and when it is complete.

There were no other planned outages during June.

There were no unplanned outages during June.

7. Carbon intensity of NESO actions

This Reported Metric measures the difference between the carbon intensity of the combined Final Physical Notification (FPN) of machines in the Balancing Mechanism (BM) and the equivalent profile with balancing actions applied.

This takes account of both transmission and distribution connected generation, and each fuel type has a Carbon Intensity in gCO2/kWh associated with it. For full details of the methodology please refer to the Carbon Intensity Balancing Actions Methodology document. The monthly data can also be accessed on the Data Portal here. Note that the generation mix measured by Zero Carbon Operability Indicator (previously RRE 1F) and Carbon intensity of NESO actions (previously RRE 1G) differs.

It is often the case that balancing actions taken by NESO for operability reasons increase the carbon intensity of the generation mix. We provide more information about our operability challenges in the Operability Strategy Report.

Q1 2026-27 performance

Figure: 2026-27 Average monthly gCO2/kWh of actions taken by NESO (vs 2025-26)

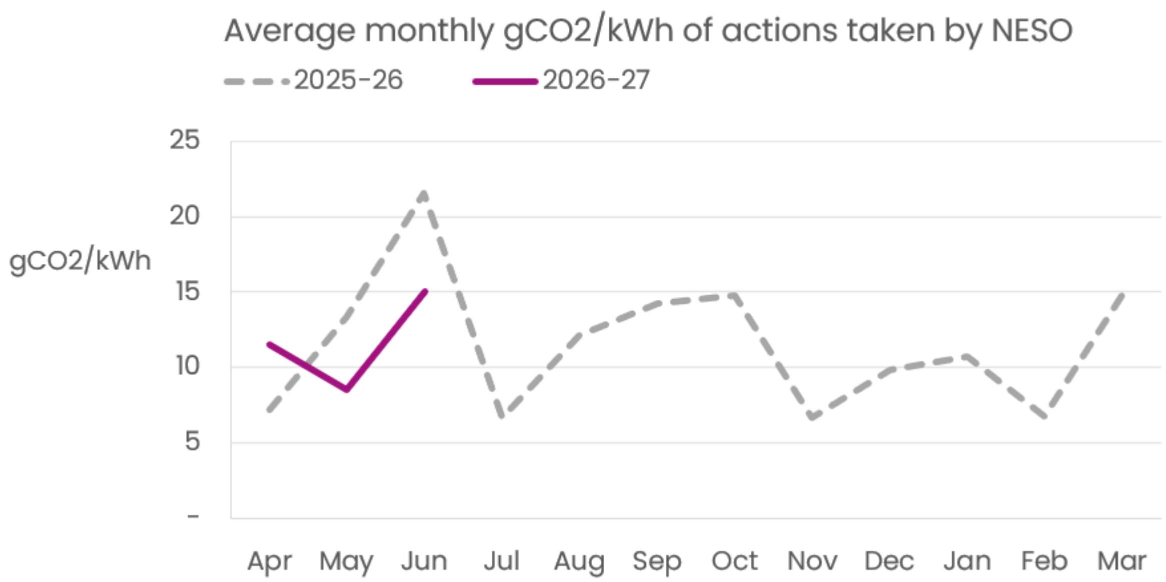


Table: Average monthly gCO2/kWh of actions taken by NESO

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Carbon intensity (gCO2/kWh)	11.51	8.55	15.07									

Supporting information

We report the average monthly gCO_2/kWh of actions taken by NESO in line with reporting requirements. Alignment of the ZCO technologies with the CP30 technologies could see biomass and CHP units treated differently in this measure, but no change has been made yet.

Q1 2026 performance

In Q1 the highest average monthly carbon intensity from NESO actions was 15.07 g/CO_2/kWh. The maximum difference between the carbon intensity of the combined Final Physical Notification (FPN) of machines in the BM and the equivalent profile with balancing actions applied was 99.09 g/CO_2/kWh. This took place on the 27/06/2026 at 07:30.

The variations from month-to-month are driven by a combination of weather and system conditions with interventions by NESO being required to safeguard operability of the electricity system; with the average of difference being driven by the increasing availability of low carbon generation as new capacity deploys.

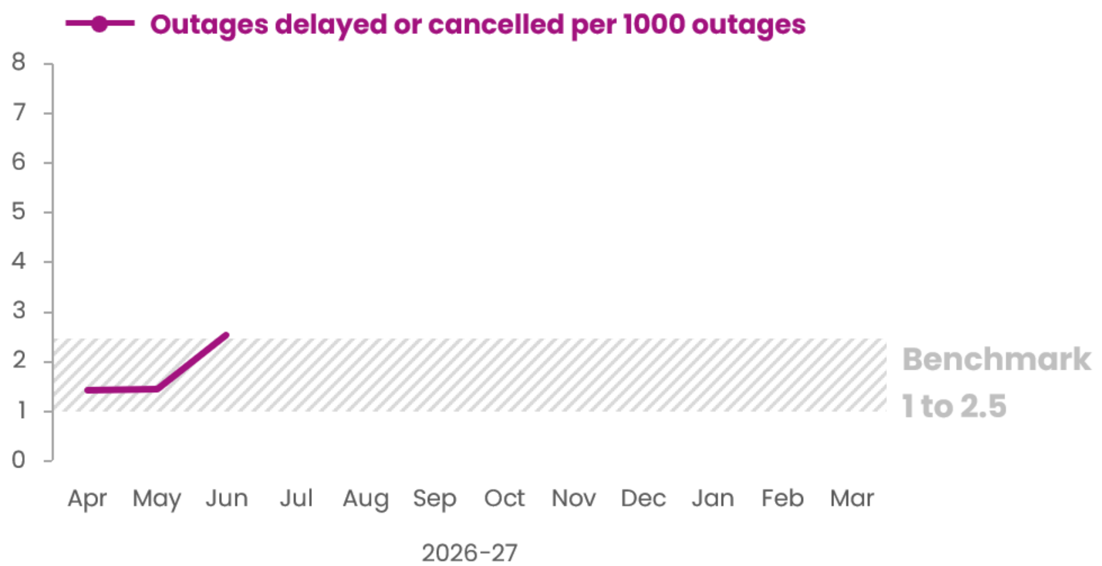
As in 2025-26 the data are showing periods where NESO actions are reducing the carbon intensity on the system over Q1. For example, this can be observed on the 15/06/2026 at 00:00.

8. Short Notice Changes to Planned Outages

This Reported metric measures the number of short notice outages delayed by > 1 hour or cancelled, per 1000 outages, due to NESO process failure.

Q1 2026-27 performance

Figure: 2026-27 Number of outages delayed by > 1 hour, or cancelled, per 1000 outages



We have included the legacy "meeting expectations" benchmark (1 to 2.5) threshold in the graph above for comparability purposes. Note that Ofgem will not assess our performance against this metric as below/meets/exceeds.

Table: Number of outages delayed by > 1 hour, or cancelled, per 1000 outages

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD
Number of outages	701	683	792										2176
Outages delayed/cancelled due to NESO process failure	1	1	2										4
Number of outages delayed or cancelled per 1000 outages	1.43	1.45	2.53										1.84

Supporting information

We successfully released 701 outages in April, 683 outages in May and 792 outages in June. Across these three months there were four delays or cancellations due to a NESO process failure where one event occurred in April, one event in May, and two in June. The cumulative number of stoppages or delays per 1000 outages to year end is 1.84.

The outage delay recorded in April was attributed to a communication issue during the notification process with the affected DNO. An email correspondence covering multiple outages included several cancellations, which led to an incorrect interpretation that the cancellation applied to all associated outages, including the planned outage.

The delay in May was on a bus bar depletion work which was missing stability studies assessment. The outage had originally been planned on the basis that stability studies were not required, as the generator tripping time was below the circuit breaker failure threshold, and the unit was not expected to remain connected to the system following a fault. However, on the day, concerns were raised about the state of the generator during the application of a solid 3-phase to earth fault for the provided times and the work was subsequently delayed till the tripping times were verified.

An Operational Learning Note (OLN) for both the outages in April and May were written and distributed across the Planning department and the Control Room to share corrective actions to reduce the likelihood of similar occurrences in the future.

The two outage delays recorded in June were associated with incomplete completion of the DNO Demand at Risk process.

Operational Learning Notes for the June incidents are currently being developed and will be distributed across the Planning function and Control Room to share lessons learned and reinforce corrective actions.

9. Zero Carbon Operability Indicator

This Reported Metric provides transparency on progress against our zero-carbon operability ambition by measuring the proportion of zero carbon transmission connected generation that the system can accommodate.

For this Reported Metric, each generation type is defined as whether it is zero carbon or not. Zero carbon generation includes hydropower, nuclear, solar, wind, battery and pumped storage technologies, and biomass.

In 2019 we began preparing to be capable of operating the GB electricity system, at the transmission level, safely and securely using 100% zero carbon generation when the market provides and wider system conditions allow.

Definition aligned to CP30 for NESO1 reporting

From NESO1, we will report ZCO using the CP30-aligned definition as the standard basis for this metric. This reflects the move into a new regulatory framework and avoids continuing to report multiple definitions where the original RIIO-2 comparability requirement is no longer the main driver.

Under this definition, zero-carbon generation sources include wind, solar PV, nuclear, hydro, pumped storage, batteries and biomass. Combined heat and power plants which service industrial operations for heat and/or power are excluded from the Zero Carbon calculation following DESNZ's Energy Trends publication on 30 September setting out the treatment of CHPs under the Clean Power metric.

The scope of the ambition remains unchanged: to be capable of operating using 100% zero carbon generation at the transmission level when the market provides and wider system conditions allow. Interconnectors remain excluded from the ZCO calculations, as neither contributing to nor detracting from NESO's ZCO capability.

The Zero Carbon Operability (ZCO) indicator is defined as:

$$ZCO(\%) = \frac{(Zero\ carbon\ transmission\ connected\ generation)}{(Total\ transmission\ connected\ generation)} \times 100$$

Regular reporting on actual ZCO

Every quarter we report the ZCO provided by the market versus the ZCO following NESO actions. This is presented at a monthly granularity.

The table below is calculated according to the formula for ZCO for each settlement period for every day over the reporting period. ZCO is a percentage of the zero-carbon transmission generation (hydropower, nuclear, solar, wind, battery, biomass, and pumped storage technologies) divided by the total transmission generation. Two figures are calculated: one represents the system conditions before NESO interventions are enacted, the other is after. This indicator measures progress against our zero-carbon operability ambition by showing the proportion of zero carbon transmission generation that the system can accommodate.

For each month, the settlement period that has the highest ZCO figure (after our operational actions were enacted) is displayed. The corresponding market ZCO figure is also included. It is worth noting that this market ZCO figure might not necessarily be the maximum zero carbon generation that the market provided over the month. For example, the maximum zero carbon generation provided by the market in Q2 2023-24 was 98% on 28 September 2023, settlement period 8. However, for that period the final ZCO dropped to 80% after our operational actions were taken into account, meaning that this was not the highest ZCO of the month.

The graphs further below show the underlying data by settlement period and highlight when the maximum monthly values occurred.

Table: Q1 maximum zero carbon generation percentage by month (2026-27)

CP30 aligned definition

Month	Highest ZCO% in the month [4]	Market provided ZCO% [5]	Date / Settlement Period
April	98.64	99.86	22/04/2026 SP33
May	94.82	99.94	01/05/2026 SP2
June	93.17	99.30	03/06/2026 SP40
July			
August			
Sept			
Oct			
Nov			
Dec			
Jan			
Feb			
March			

Note that the values can change between reporting cycles as the settlement data is updated by Elexon.

[4] after NESO operational actions

[5] during the same day and settlement period

Figure: Maximum monthly ZCO% after NESO operational actions, versus ZCO provided by the market (during the settlement period when the maximum occurred) – one-year view

Using **CP30 aligned** definition of ZCO

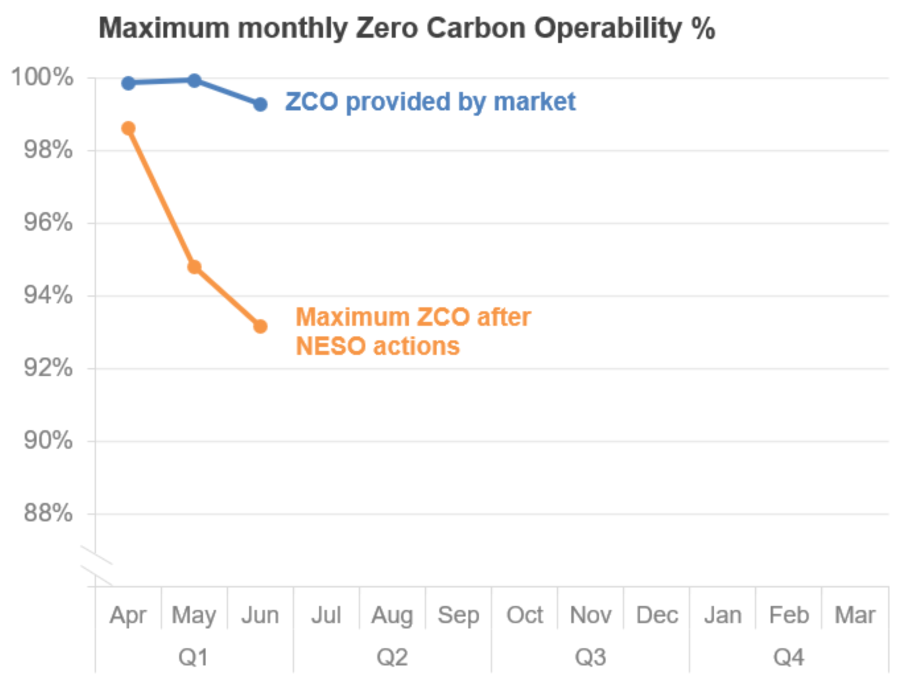
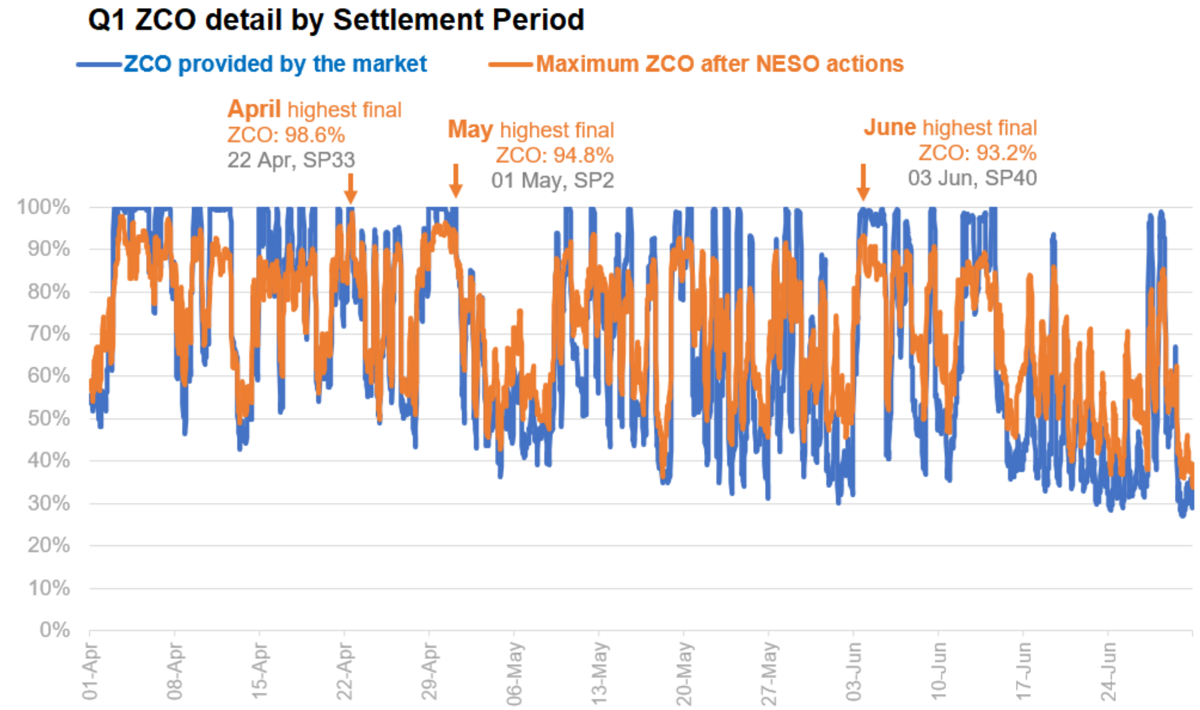


Figure: Q1 2026-27 ZCO by Settlement Period, before and after NESO operational actions

Using **CP30 aligned** definition of ZCO



Supporting information

NESO continues a progressive and sustained programme of change to transition from arrangements designed for a fossil-fuel-dominated system at the start of the century, and to meet critical requirements for operating the electricity system with new services explicitly designed for a zero-carbon future.

Q1 has seen further progress with the commissioning of further Stability Pathfinder projects, and projects secured under the Stability Mid-Term Y-1 Market, alongside delivery of Enhanced Line ratings. Further enabling projects for future delivery have also taken a step forward with the recent approval by Ofgem of the minimum inertia policy proposed by NESO the Frequency Risk and Control Report 2025.

NESO's absolute demonstration of this capability is conditional on several factors. The market must deliver a 100% zero-carbon generation mix, and do so when system conditions and consumer demand can be supported solely by zero carbon assets. In Q1 the market has continued to deliver high levels of zero carbon generation – falling just short of 100% based on several occasions based on Settlement data.

NESO's zero carbon performance has continued to build on the success of last year. Our internal analysis in early 2025 identified a potential window in which 100% zero carbon operability could be achievable starting in October and increasing through to December 2025. This operability window covered a limited demand range, but over time and as future enabling projects deliver, these windows will expand to wider demand ranges. Over 2025 the higher ZCO performance achieved was mostly within those forecast demand ranges.

This year, on the 22 April 2026 NESO confirmed a new ZCO record of 98.8%, beating the previous record of 97.8%, sharing the details at the Operational Transparency Forum on 29 April. This is based on Operational Metering data and will differ compared to the reported performance using settlement data. This shows that the repeated high Zero Carbon Performance realised last year is continuing into this year with performance above 90% in each month to date.

NESO continues to work closely with DESNZ, Ofgem, and GB Media in briefing in preparations for reaching this historic achievement for GB, and as new records occur such as wind and solar generation.

Highest final ZCO by month vs previous year

Using **CP30 aligned** definition of ZCO

Quarter	Month	2025-26	2026-27	Difference
Q1	April	97.77	98.64	+0.87
	May	96.76	94.82	-1.94
	June	96.49	93.17	-3.32
Q2	July	95.93		
	August	93.68		

	September	95.51		
Q3	October	96.35		
	November	96.95		
	December	95.27		
Q4	January	93.95		
	February	93.97		
	March	97.80		

The ZCO CP30 aligned definition was adopted from the 30 September 2025, 2025-26 data contain relevant adjustments.

10. Day-ahead procurement

This Reported Metric measures the percentage of balancing services procured at no earlier than the day-ahead stage, i.e. those procured at day-ahead or closer to real time. We report on total contracted volumes (mandatory and tendered) in megawatts (MWs). Expectations are set for all relevant services that are currently procured by NESO and may be revised if new products are introduced.

For consistency with previous RIIO-2 incentives reporting, we have included a view of a benchmark set based on expected product expirations, and expectations for new procurement volumes. Note that as per the PAGD, Ofgem will not assess our performance against this metric as below/meets/exceeds, therefore the thresholds have been removed.

Note that in line with the terms of a derogation from the requirements of Article 6(9) of the Electricity Regulation, NESO is required to procure at least 30% of services no earlier than day-ahead stage.

Whilst NESO set out the daily requirements for day-ahead procurement, when these requirements are not met through competitive day-ahead tendering the outstanding requirement could be met through other means such as bi lateral agreements and mandatory markets.

The following services are included in the figures for this metric:

Day-ahead:	Dynamic Containment, Dynamic Moderation, Dynamic Regulation, Static Firm Frequency Response, Quick reserve, Balancing Reserve and Slow Reserve
Non-day-ahead:	Mandatory Frequency Response only. Previously, this also included Long Term STOR, however since April 2025, this service is no longer procured.

Services newly introduced during BP2 should only be included in this metric if they displace those procured earlier than day-ahead. This is the reason why Balancing Reserve figures are not included in the Volume details by service table in page 61.

Q1 2026-27 performance

Figure: Quarterly percentage of balancing services procured at no earlier than day-ahead

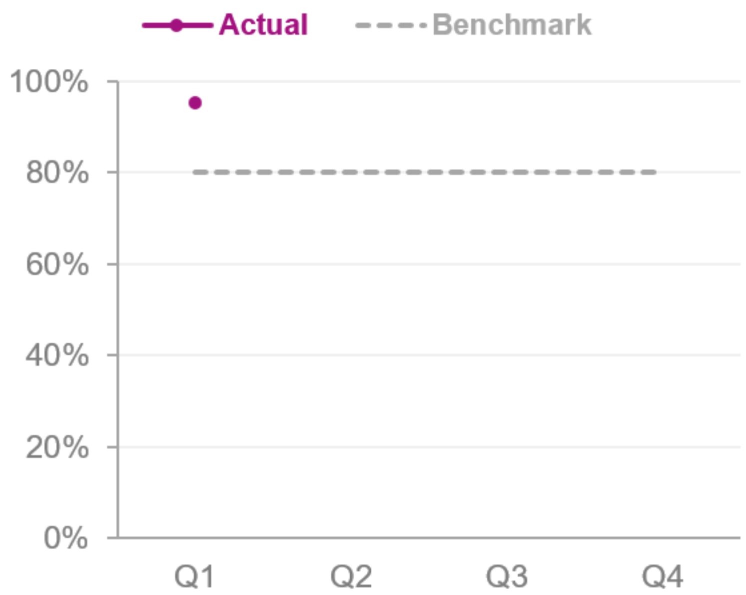


Table: Quarterly percentage of balancing services procured at no earlier than day-ahead

	Unit	Q1	Q2	Q3	Q4	YTD
Volume of balancing services procured (average per procurement period)	MW	4309				**4309**
Volume procured no earlier than day-ahead (average per procurement period)	MW	4108				**4108**
Actual % of balancing services procured no earlier than day-ahead (i.e. day-ahead or closer to real time)	%	95%				**95%**
Benchmark*	%	80%	80%	80%	80%	**80%**

*We have kept the benchmark of 80% used in BP2/BP3. Note that Ofgem will not assess our performance against this metric as below/meets/exceeds expectations.

Volume details by service

Type	Service	Unit	Q1	Q2	Q3	Q4	YTD
Day-ahead	DC	MW	1173				
	DM	MW	525				
	DR	MW	489				
	Static FFR	MW	224				
	SR	MW	898				
	BR	MW	433				
	QR	MW	366				
	Total	MW	4108				
Non Day-ahead	MFR	MW	201				
	Total	MW	201				
All	Grand Total	MW	4309				

Supporting information

In Q1 the percentage of balancing services procured at no earlier than day-ahead has increased to 95%, against the benchmark of 80%. This is an increase from last year's Q1, which was at 87%.

With the growth in Response and Reserve competitive markets, we can procure more of our requirements at day-ahead so have less reliance on non-day ahead procured services. As Quick Reserve has matured, we have seen a steady move to more competitively procured day-ahead volumes being utilised.

This, along with the continued increasing volume of MWs procured in the Dynamic Moderation and Regulation service resulting in the decrease in procured MFR, is reflected in the percentage increase mentioned above. This is also the first quarter of the new Slow Reserve service replacing STOR, volumes seem to be consistent with previous STOR MW's, this will be closely monitored for the coming quarters, but we expect to see similar values as previous STOR years.

11. Accuracy of Forecasts for Charge Setting - BSUoS

This Reported Metric shows the accuracy of Balancing Services Use of System (BSUoS) forecasts used to set industry charges against the actual outturn charges.

The BSUoS charge (£/MWh) is now based upon a fixed tariff. Daily balancing costs (and other costs that ultimately make up the costs recovered through the BSUoS charge) are forecast for six-monthly tariffs and are set ahead of the chargeable tariff period. For 2026-27, Fixed Tariff 7 (April 26 – September 26) and Fixed Tariff 8 (October 26 – March 27) were published in December 2025.

We continue to forecast balancing costs monthly and measure our performance against this forecast. It remains an important metric to support the fixed tariff methodology by being the main component of the fixed BSUoS tariff. The BSUoS cost forecast (costs rather than what is charged against the fixed tariff) is probabilistic and therefore produces percentile values. The published forecast for each month is based on the central value of the BSUoS cost forecast (50th percentile). If the outturn BSUoS costs are below the 50th percentile of the cost forecast, then the actual costs for that month would be lower than the forecast predicted, provided the actual volume is at or above the estimate (and vice versa).

Q1 2026-27 performance

Figure: 2025-26 Monthly BSUoS forecasting performance (Absolute Percentage Error)

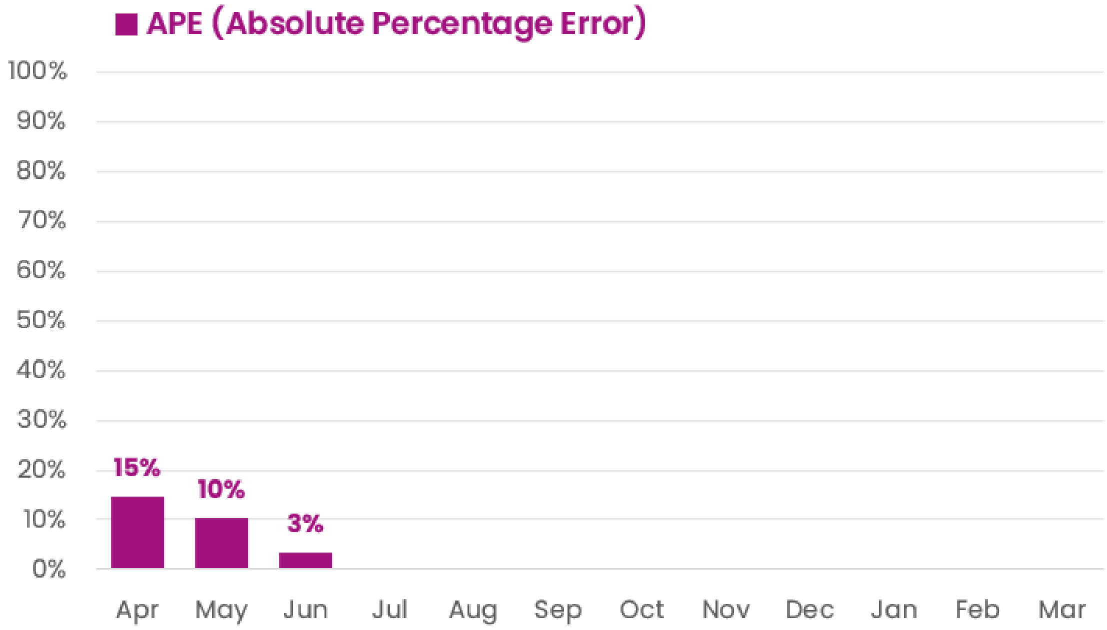


Table: Month ahead forecast vs. outturn BSUoS (£/MWh) Performance - one-year view

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual (£ / MWh)	17.51	14.46	17.97									
Month-ahead forecast (£ / MWh)	15.27	16.12	17.38									
APE (Absolute Percentage Error)[6]	14.7	10.3	3.4									
Average Monthly APE (by Quarter)	9.5											

Supporting information

Q1 Performance:

The average monthly Absolute Percentage Error for Q1 is 9.5%, with actuals being higher than month-ahead forecasts for April and June.

The BSUoS forecast is probabilistic and tries to find patterns in recent history. It also uses two key drivers in forecasting expected costs; wholesale market prices and the proportion of demand met by renewables.

Costs:

Total balancing costs across the quarter outturned above our month-ahead forecast across the quarter, with the largest variance from our March 2026 forecast.

The largest variance was in April, as balancing costs outturned around the 75th percentile of our month-ahead forecast, £49m higher than expected. Constraint costs were the largest component of this difference, £35m higher than forecast. We have found previously that a higher proportion of demand being met by renewable generation tends to correlate with higher constraint costs. In our month ahead forecast, we had anticipated 39% of demand to be met by renewable generation, however this outturned at 51%.

May outturned below forecast, at the 35th percentile of the month ahead forecast, £21m below forecast. This was mainly driven by lower than forecast constraint costs (£12m difference and a net £9m variance in other costs.

June outturned at the 70th percentile of the month ahead forecast, £37m above expectation. Positive reserve costs were £85m above the month ahead forecast however this was offset by lower than forecast constraint costs (£37m), frequency control (£10m) and other costs (£1m). Wholesale market prices averaged £99/MWh, compared to a forecast of £89/MWh. We had also forecasted 38% of demand to be met by renewables; this out-turned at 44%.

[6] Monthly APE% figures may change with updated settlements data at the end of each month. Therefore, subsequent settlement runs may impact the end of year outturn.

The recent outturns will impact our future forecasts through our persistence model, which uses previous forecasting errors to adjust the near term of our forecasts. We are also continuing to monitor the performance of the balancing cost forecast, and the distribution of the outturn percentiles compared to the forecast.

Volumes:

Chargeable BSUoS volume is forecast using a linear regression model based on the National Demand forecast, and historic actual BSUoS volumes.

Across Q1 our average monthly volume forecasting error was 0.4%. The largest variance was in June, with volumes out-turning below forecast.

National Energy System Operator
Faraday House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

www.neso.energy