

23 October 2026

Mid-Year 2026-27 Incentives Report

NESO1 Business Plan (2026-28)

Contents

Introduction.....	3
Progress against NESO1 Performance Outcomes	4
Introduction to Performance Outcomes	5
Planning a Clean Energy Future.....	6
Operating an Intelligent, Real-Time Grid	11
Enabling Smarter, Cleaner Markets	18
Delivering a Decarbonised, Operable Grid	23
Driving Whole-System Resilience	29
Building a Digitally Connected Energy System	34
Providing Customers with a High-quality, Independent and Trusted Service.....	38
Stakeholder Evidence	42
Introduction.....	43
Sep-26 Stakeholder Surveys.....	43
Value for Money	52
Introduction.....	53
Executive Summary	54
VFM Cross-Cutting Case Studies.....	56
Expenditure and Forecast Variances Against the Approved Business Plan.....	65
Cost Tables.....	83
Cost Monitoring Framework	86
Reported Metrics.....	88
Summary of Reported Metrics	89
1. Balancing Costs	90
2. Demand Forecasting	96
3. Wind Generation Forecasting	100
4. Skip Rates.....	103
5. Security of Supply	108
6. CNI Outages.....	110
7. Carbon intensity of NESO actions.....	111
8. Short Notice Changes to Planned Outages	113
9. Zero Carbon Operability Indicator	115
10. Day-ahead procurement.....	119
11. Accuracy of Forecasts for Charge Setting – BSUoS	122
12. Balancing services procured in a non-competitive manner	125
13. Future Savings from Operability Solutions.....	129



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 Final 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
- Delivering a Decarbonised, Operable Grid
- Driving Whole-System Resilience
- 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 four parts:

- Progress against Performance Outcomes – updating progress during Q2 2026–27 towards the outcomes NESO is expected to deliver over the NESO1 period.
- Stakeholder Evidence – providing results of our most recent stakeholder survey (September 2026); alongside a summary of key themes.
- Value for Money – providing information on forecast expenditure against the NESO1 plan at the mid-year stage of 2026–27, and evidence relevant to the assessment of value for money.
- Reported Metrics – providing transparency on operational outcomes and performance trends, with supporting commentary on measures reported monthly, quarterly and six-monthly.

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

Q2 2026–27



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 report provides an update on delivery progress over the Q2 period. It reflects the Performance Outcomes and Ofgem Expectations set out under the NESO1 framework and provides an interim view of progress, risks and emerging issues ahead of the end-year assessment. Supporting Measures indicate progress towards each outcome and will be replaced by the agreed Success Measures once published by Ofgem.



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

During Q2, the successful submission of the Strategic Spatial Energy Plan (SSEP) Pathway Options Report to the Secretary of State represented a significant milestone. We also continued progress on Regional Energy Strategic Planning (RESP), the Centralised Strategic Network Plan (CSNP), investor engagement and Reformed National Pricing (RNP), strengthening whole-system planning, investment signalling and future market development across Great Britain. Collectively, these activities support greater coordination of energy planning, clearer long-term signals for investment and the development of future market arrangements and competitive network delivery models. While good progress has been made, several of these activities are still developing and it will take time to fully demonstrate their impact on coordination, investment decisions and market confidence.

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 Q2, we continued to strengthen coordination across strategic planning activities through ongoing development of SSEP, CSNP and RESP. Activity focused on maintaining alignment across planning methodologies, governance arrangements and delivery approaches to support a more coordinated whole-system planning framework. We have continued to strengthen our cross strategic energy planning external governance meeting. We have increased the frequency of cross-programme governance meetings between NESO, DESNZ and Ofgem representatives to strengthen coordination across strategic energy planning activities.

A major milestone was achieved through the successful submission of the SSEP Pathway Options Report to Government in August. The report sets out six potential pathways for Great Britain's future energy system and provides the basis for future energy infrastructure planning and decision-making. The UK Energy Secretary will now consider the pathway options, with the Scottish and Welsh Governments and Ofgem providing formal advice. The next phase of the programme will focus on supporting this decision process and preparing stakeholders for consultation on the draft SSEP. This work complements ongoing CSNP development and supports greater alignment between strategic planning activities across the energy sector. We also provided a



transparency update in August which included an update to the SSEP methodology following further development of the SSEP process.

Progress also continued on the enduring RESP framework, including development of governance arrangements, methodology and capability. During August, we launched expressions of interest for RESP Strategic Boards and Working Groups across Scotland, Wales and England's regions and published a guide to RESP governance and decision-making. This established a clear governance framework for the development and approval of Regional Energy Strategic Plans, setting out how local authorities, energy networks, governments and wider stakeholders will contribute to planning decisions. Importantly, the framework strengthens coordination across the Strategic Energy Planning portfolio by providing clearer links between national, regional and local planning activities, helping ensure that SSEP, RESP and CSNP evolve in a complementary and aligned way. These arrangements will also help ensure local priorities, evidence and expertise are incorporated into a coordinated whole-system planning process.

Stakeholder engagement remained a core component of planning activity throughout the quarter. Following the Strategic Energy Planning Forums held across Great Britain during June, we analysed feedback and insights from 13 forums delivered across England, Scotland and Wales over a 22-day period. The forums brought together 721 attendees from across the energy sector, local authorities, network companies and wider stakeholder groups, including nearly 30% from local authorities and around 10% from energy networks. Feedback demonstrated strong stakeholder support for a more coordinated and long-term approach to energy planning, helping align priorities across local, regional and national levels. Stakeholders consistently identified collaboration, shared information and transparent decision-making as critical enablers of future delivery, while more than 200 feedback responses are helping inform the continued development of SSEP, RESP and wider Strategic Energy Planning activities. We will soon publish the forum slides alongside a report summarising the discussions, insights and key outputs from the events.

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.

During Q2, we continued to develop and deliver strategic planning outputs intended to provide greater clarity on future energy infrastructure requirements and support investment decisions across Great Britain. Activity focused on progressing SSEP, CSNP and associated planning outputs to provide a more coordinated view of future network and system needs.

A significant milestone was achieved through completion of SSEP pathway analysis and submission of the SSEP Pathway Options Report to Government. The report sets out potential future pathways for energy infrastructure development and represents an



important step towards identifying future system requirements and supporting long-term investment decisions.

Progress also continued across CSNP activities. Delivery of the Beyond 2030 Update, Electricity Transmission Design Principles and supporting publications provided greater visibility of future transmission requirements, system needs and network investment priorities, helping stakeholders better understand future infrastructure requirements.

Investor considerations also continued to inform planning outputs. Through the SSEP investability assessment, investor feedback was used to test the credibility and financeability of proposed pathways, with feedback informing changes to two pathways. This demonstrates how market insight is being incorporated into strategic planning activity to improve the quality and usability of future investment signals.

The publication of the Beyond 2030 Investability Report further strengthened long-term investment signalling by providing investors with greater visibility of future investment opportunities, market signals, supply chain considerations and long-term system requirements. Stakeholder engagement informed the development of the report to ensure that its content reflected the information investors require when making capital allocation decisions and that it was presented in a format that is practical and accessible from an investor perspective.

Together, these activities have continued to strengthen the evidence base underpinning future infrastructure planning, improve visibility of future energy system requirements and provide clearer investment signals to support future energy system development across Great Britain.

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 plans, roadmaps and strategies, alongside clarity on future market rules and opportunities, helping support confidence in future energy system development.

During Q2, we continued to strengthen engagement with investors and improve the information available to support long-term investment decision-making. Activity focused on investor engagement, publication of strategic planning outputs and development of future market arrangements designed to improve market transparency, investment certainty and confidence.

A major milestone during the quarter was publication of the Beyond 2030 Investability Report. The report was developed to provide investors with greater visibility of future infrastructure requirements, investment opportunities, market signals and long-term system needs. Initial feedback was highly positive, with investors welcoming the increased transparency and identifying the report as a valuable source of information for long-term planning and investment decisions. Several stakeholders expressed support for the report becoming a recurring NESO publication, suggesting it is helping to address a market need for clearer long-term investment signals.



Analysis through the Voice of the Investor programme indicates that investor appetite for energy infrastructure remains strong, but that the credibility, quality and consistency of information are critical to investment decisions. Investors highlighted the importance of reliable forecasts, transparent planning assumptions and clear policy and market signals in assessing long-term opportunities and prioritising investment.

The Voice of the Investor programme also indicates that NESO's planning outputs are increasingly influencing market behaviour. Feedback suggests investors are using NESO outputs to inform costing, asset evaluation and capital allocation decisions, with some investors adjusting portfolio strategies in response to NESO planning signals and emerging system opportunities. This provides encouraging evidence that NESO's plans, analysis and market insights are becoming increasingly relevant to investment decision-making.

In response to this feedback, we developed an action plan aimed at strengthening the credibility and trustworthiness of our outputs. Insights from the Voice of the Investor programme are also being used to influence future engagement activity, horizon-scanning work, strategic planning and analytical activity, helping ensure investor considerations are embedded more consistently across our wider activities.

Alongside investor engagement activity, significant progress was made on Reformed National Pricing (RNP). In our work on balancing reform, we have worked with our Industry Expert Panel to develop and refine the cost-benefit-analysis methodology for the balancing reforms. This feedback helped develop the causal benefits and disbenefits of the reforms and heavily shaped the cost estimates feeding the analysis. We shared feedback from the Balancing and Dispatch Reform Call for Input with approximately 150 industry stakeholders and developed a Target Operating Model providing an industry-wide view of the changes required to support the RNP balancing reforms. Feedback from industry has heavily shaped the design of the reform options as well as the evidence for the cost benefit analysis and implementation roadmaps. In our work on Siting and Investment Levers (SIL), we commenced work on deliverability assessments of charging reform options for Ofgem, and we supported DESNZ on policy work looking at the direction of connections capacity thresholds and CFD reform. On constraints, we have completed an initial assessment of constraint management markets, socialising results with DESNZ and Ofgem. We have worked with market participants to develop and explain enhancements to the Demand Flexibility Service to strengthen locational signals, delivering value for providers and consumers.

NESO has continued to support work exploring potential future alignment with the EU Internal Electricity Market (IEM), providing technical and operational expertise on market arrangements, cross-border trading, balancing frameworks and implementation requirements. During the quarter, we have worked with government and regulatory stakeholders to improve understanding of the opportunities, challenges and delivery implications associated with different future market frameworks, while also assessing interactions with wider GB electricity market reforms.

Together, the publication of strategic planning and investability outputs, alongside continued engagement with investors and industry, has improved the information



available to market participants and provided greater visibility of future system needs and investment opportunities. Our wider analytical and policy work has also supported government and regulatory consideration of future market arrangements.

A.4 Greater competition and innovation in network development

This focuses on identifying projects suitable for competitive delivery, preparing and engaging the market for future CATO opportunities, running clear and efficient tender processes, and promoting innovation in the delivery and financing of competed projects where this can deliver consumer benefit.

During Q2, we continued activity to support greater competition and innovation in network development through network competition and market engagement initiatives. Activity focused on building market readiness, improving visibility of future opportunities and supporting development of frameworks required for competitive delivery models.

Network competition activity reached an important milestone during the quarter with publication of the Competitively Appointed Transmission Owner (CATO) licence for consultation. This represents a significant step towards establishing the regulatory and commercial framework required to facilitate competitively delivered network infrastructure and provides investors with greater visibility of future opportunities.

We also continued engagement with Ofgem and prospective market participants regarding implementation of network competition arrangements, including workshops and stakeholder discussions exploring investor appetite and future delivery models. Feedback remained positive, with investors indicating continued interest in future competition opportunities and viewing progress as a signal that the sector is moving towards a more mature and investable competitive market.

Building on earlier market engagement activity, outputs from the Expression of Interest process continued to inform project identification and assessment activities. We also maintained direct engagement with interested parties through workshops and one-to-one discussions designed to improve market readiness, better understand barriers to participation and strengthen future tender arrangements. Earlier publication of tender documentation improved transparency and provided stakeholders with greater visibility of proposed competition frameworks.

Supporting measure

Measure	Q2 Update
Appropriate level of market interest at relevant stages	Market interest remained strong during Q2. Investor engagement, workshops, consultations and one-to-one discussions on future CATO opportunities demonstrated continued appetite for competitively delivered network infrastructure and provided positive evidence of market readiness for future competition opportunities.



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

During Q2, we continued to operate the electricity system while responding to increasingly complex operating and market conditions, progressing initiatives designed to improve system operability. Activity focused on managing balancing costs, enhancing operational forecasting capability, supporting operation of an increasingly low-carbon electricity system and coordinating network outages to minimise operational impacts. Balancing costs remained above benchmark overall during Q2, including a significant increase in September, although August demonstrated the potential for lower costs as voltage, inertia and constraint costs reduced. We also delivered savings through outage optimisation, trading actions and network services, including a new running arrangement that increased transfer capability across a thermal constraint. Demand forecasting error remained above historic averages and dispatch skip rates remained elevated, although the combined skip rate reduced from 40% in August to 38% in September. This reflects both increasingly complex system conditions and the challenges of operating an increasingly weather-dependent electricity system. We recognise that sustained improvement is still required, particularly in managing balancing costs, demand forecasting accuracy and dispatch efficiency. In response, we progressed a range of improvement initiatives, including development of next-generation forecasting capability, implementation of the first Voltage 2026 service and continued work to improve dispatch efficiency, forecasting accuracy and outage coordination. Despite these challenges, system reliability remained strong throughout the quarter, with no reportable voltage excursions and no frequency excursions greater than 0.5Hz from 50Hz lasting more than 60 seconds during Q2.

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 Q2, we operated the electricity system through challenging conditions while progressing initiatives to improve constraint management, dispatch efficiency, outage optimisation and the operational tools used to manage balancing costs.

Over Q2, balancing costs totalled £1,096m against a combined benchmark of £978m, with performance varying significantly across the quarter. Costs were £301m against a £257m benchmark in July and fell to £242m against £266m in August, before increasing substantially to £553m against a £455m benchmark in September.

July costs reflected restricted network boundaries, summer outage arrangements and higher voltage and inertia requirements during periods of low transmission demand and high embedded solar generation. In August, lower embedded solar output increased daytime transmission demand and reduced the need for additional generation to manage voltage and inertia. Together with lower wind curtailment, this contributed to constraint costs falling by £54m compared with July.

September was the highest-cost month on record, reflecting a sustained combination of high wind generation, low demand, transmission outages and constraints, alongside elevated wholesale prices. Wind accounted for 39% of the generation mix and a record 1.8TWh of wind was constrained off during the month. Reduced network transfer capability, particularly from Scotland, increased the requirement to curtail wind and replace it with generation closer to demand.

These conditions were compounded by the cost of replacement energy. Gas and power prices were 136% higher year-on-year, while the volume-weighted average offer price increased to £211.97/MWh. Overall balancing-action volumes reached a record 4,806GWh, with constraint costs increasing by £326m compared with August. Daily costs averaged £18.0m, with 17 days above £15m and six above £30m, demonstrating that the increase reflected sustained system conditions rather than a single high-cost event.

We continued to deliver savings through outage optimisation, trading and network services. These savings are published in our monthly balancing cost reports on our [balancing costs webpage](#). Highlights include outage optimisation where an estimated £39m was saved in July from a new running arrangement at a 275kV substation in Scotland, which increased the transfer limit across a nearby thermal constraint by approximately 500MW, and £10.8m in August from deferring a shunt-reactor outage to avoid the need for additional voltage units during a concurrent outage. Trading actions also delivered estimated savings of £20.9m in July, £26.7m in August and £18.4m in September compared with alternative Balancing Mechanism actions.

Dispatch efficiency remained an area of focus throughout Q2. The combined Energy Balancing skip rate remained elevated, moving from 39% in July to 40% in August before reducing to 38% in September. The September improvement reflected in-merit volume increasing faster than skipped volume, although the rate remained 1.3 percentage points above September 2025. The previous 30% target applied from January to the end of June 2026 and is included only as contextual information.



Between August and September, in-merit volume increased from 537GWh to 638GWh, while skipped volume increased more slowly, from 214GWh to 240GWh. Compared with September 2025, skipped volume increased from 218GWh to 240GWh and in-merit volume from 602GWh to 638GWh.

The September exit position varied by technology. The battery combined skip rate increased from approximately 41% in August to 43% in September, as skipped volume rose from 137GWh to 155GWh and in-merit volume from 330GWh to 361GWh. The CCGT rate improved from approximately 28% to 24%; although skipped volume increased from 28GWh to 45GWh, in-merit volume rose more strongly from 102GWh to 184GWh.

We continued analysing the causes of dispatch skips and improving transparency around dispatch decisions. This included publishing a dedicated dataset for demand-side flexibility units, incorporating it into the external skip-rates dashboard and continuing to publish constraint skip-rate information to support more targeted investigation of avoidable skips.

Increasing transparency on our dispatch decisions, we introduced reporting of skip rates behind thermal constraints. This constraint skip rate provides an indication of the efficiency of decisions taken to manage constraints. Published data indicates a rate of approximately 10% to 15%, below the Energy Balancing skip rate. We will publish this data monthly and investigate the causal factors behind skips within constraints to identify targeted actions for improvement. We also published an [update on our work to improve dispatch transparency and understand the causes of skip rates](#), setting out how root-cause analysis, improved data visibility and operational process changes are being used to reduce avoidable skips and improve dispatch efficiency.

System reliability remained strong throughout the period. During Q2 there were no frequency excursions greater than 0.5Hz from 50Hz lasting more than 60 seconds, no frequency instances between 0.3Hz and 0.5Hz lasting more than 60 seconds, and no reportable voltage excursions. The 0.3Hz to 0.5Hz measure is tracked and reported for transparency rather than as a statutory obligation or performance target. The operational activity supporting the management of voltage risks, including the work of the Voltage Task Force, is set out under B.4.

Further information on balancing costs, dispatch efficiency and system reliability is provided in the Balancing Costs, Skip Rates, Security of Supply and Critical National Infrastructure Outages sections of the Reported Metrics chapter.

Supporting measures

Measure	Q2 Update
Skip rates (Combined Bids and Offers %)	July – 39% August – 40% September – 38%
Balancing Costs	July – £301m August – £242m September – £553m Q2 total – £1,096m



CNI outages (planned and unplanned)	July – 1 planned and 0 unplanned August – 0 planned and 1 unplanned September – 0 planned and 0 unplanned
Frequency instances (0.3-0.5Hz)	July – 0 August – 0 September – 0
Frequency excursions (0.5Hz) Secured and unsecured	July – 0 secured and 0 unsecured August – 0 secured and 0 unsecured September – 0 secured and 0 unsecured
Reportable Voltage excursions (#)	July – 0 August – 0 September – 0

B.2 Improved operational planning and operational 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.

During Q2, we continued to develop forecasting and operational planning capability to support more efficient decision-making and improve the accuracy of operational forecasts. Activity focused on the development and validation of prototype National Demand forecasting models, alongside the establishment of an innovation project with the Met Office.

Demand Forecasting performance remained challenging during the quarter, reflecting unusual weather patterns and changing system conditions. Day-ahead demand forecasting error was 731MW across Q2, above the corresponding five-year average of 552MW. July was the second warmest and third driest July on record, while August included prolonged periods of high pressure, heatwave conditions and high solar generation. Solar forecast errors remained the largest influence on Demand Forecasting performance, particularly where rapidly changing cloud and weather conditions affected embedded solar output.

We continued to validate the next-generation National Demand forecasting models, which use machine-learning and artificial-intelligence techniques alongside the latest Numerical Weather Prediction weather-grid data. We also continued to develop the supporting user interface in preparation for the models' future operational release and use.

The solar models performed well under overcast and clear-sky conditions. Further integration and model improvements have been developed and are awaiting release. Demand forecasting error reduced from 813MW in July to 657MW in August, although it remained above the corresponding five-year averages. As the next-generation models have not yet been released for operational use, this movement should not be attributed to the new capability.



Operational planning also supported management of the solar eclipse on 12 August. An Electricity Margin Notice was initially issued for 17:00 to 22:00, revised to 18:00 to 20:00 and subsequently cancelled before 13:00. Total balancing costs on the day were £10.6m. The notice was revised and subsequently cancelled as the operational position developed, demonstrating the active management of the anticipated eclipse-related risk.

Wind forecasting error was approximately 3.7% across Q2, outperforming the corresponding five-year average of 4.6%. Wind models continued to perform well, although further weather-forecast and insight improvements were identified as necessary to support additional gains.

Further information is provided in the Demand Forecasting and Wind Generation Forecasting sections of the Reported Metrics chapter.

Supporting measures

Measure	Q2 Update
Demand Forecasting Error Accuracy (MW)	July – 813MW (previous 5-year average – 525MW) August – 657MW (previous 5-year average – 548MW) September – 723MW (previous 5-year average – 583MW)
Wind Forecasting Error Accuracy (%)	July – 3.2% (previous 5-year average – 4.3%) August – 3.2% (previous 5-year average – 4.2%) September – 4.6% (previous 5-year average – 5.4%)

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 Q2, the system continued to demonstrate its capability to operate securely at high levels of renewable generation. The maximum zero-carbon operability recorded during Q2 was 97.9%, achieved in September. Q2 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.

In Q2 the average monthly carbon intensity from NESO actions was 12.66gCO₂/kWh with the highest average monthly carbon intensity from NESO actions being 17.83gCO₂/kWh in September. 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 84.95gCO₂/kWh. This took place on the 25 July at 0630.

Alongside operational performance, we continued implementing initiatives intended to improve operability under future system conditions. During September, the first Voltage 2026 service went live. The service has been developed to support management of voltage stability requirements on an increasingly decarbonised electricity system and provides additional operational capability to support secure system operation as



generation patterns continue to evolve. This represents an important milestone in strengthening the operational tools available to manage future low-carbon system conditions.

Further information is provided in the Carbon Intensity of NESO Actions and Zero Carbon Operability Indicator sections of the Reported Metrics chapter.

Supporting measures

Measure	Q2 Update
Number of settlement periods with 100% zero-carbon operation	Zero
Number of settlement periods where market offers zero carbon operability opportunities which are not realised due to NESO actions.	Zero
Average and maximum carbon intensity of NESO actions by settlement period.	Q2 average – 12.66gCO ₂ /kWh Maximum increase associated with NESO actions was 84.95 gCO ₂ /kWh on 25 July at 06:30. On 23 September, NESO actions reduced carbon intensity by 25.91 gCO ₂ /kWh.

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 Q2, we successfully released 2,172 outages while coordinating with network companies to support efficient system access and minimise operational and consumer impacts. This comprised 701 releases in July, 644 in August and 827 in September. Two outages, both in September, were delayed or cancelled because of a NESO process failure, equivalent to approximately 0.92 events per 1,000 outages across the quarter. Operational Learning Notes are being developed for both incidents and will be shared across the Planning function and Control Room to capture lessons and reinforce corrective actions.

Outage optimisation also delivered balancing-cost benefits during the quarter, including a new running arrangement that increased transfer capability across a thermal constraint and the deferral of an outage to avoid additional voltage-management requirements. The quantified financial benefits are reported under B.1.

The Voltage Task Force coordinated activity across the industry to manage voltage-related risks during periods of high solar generation, challenging weather conditions and changing system requirements. Compared with summer 2025, when two



reportable voltage excursions were recorded, no reportable voltage excursions occurred during Q2.

The System Access Reform programme continued its work with the Transmission Owners. Two SQSS modifications reached key milestones – GSR036 was submitted to the Authority for approval and GSR035 concluded its workgroup phase – both of these modifications will provide more options for outages to be taken. The programme also processed two outage clash escalation cases, with assessment and outcomes shared with DESNZ and Ofgem. Tactical improvements continued to be delivered, one example being the publication of the NAP (Network Access Policy) performance indicators on the [NESO website](#), making them all available in the same place for the first time.

Further information is provided in the Short Notice Changes to Planned Outages section of the Reported Metrics chapter.

Supporting measures

Measure	Q2 Update
Short notice changes to planned outages (Fail to Fly)	Q2: two delays or cancellations due to NESO process failure across 2,172 released outages, equivalent to approximately 0.92 per 1,000 outages. The YTD rate was 1.38 per 1,000 outages.



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

During Q2, we progressed a range of market reforms from design and stakeholder engagement into implementation, testing and future market development. Key activity included implementation of Response Reform, advancement of Demand for Constraints, expansion of the Demand Flexibility Service, progression of Locational Procurement, implementing changes to the Capacity Market and Contracts for Difference processes in readiness for qualification processes to commence, and continued engagement with the Market Facilitator and Future Market Asset Registration arrangements.

We also strengthened engagement with market participants through consultations and industry events, helping improve market access and reduce barriers to participation. Further progress was made through publication of the Gas Market Roadmap, developed in collaboration with industry through the Gas Advisory Council (GAC). The GAC has evolved into a successful and collaborative forum which has helped shape the roadmap and prioritise future areas of work. Together with analysis exploring the future role of low-carbon gases, these activities provided greater clarity on the future evolution of Great Britain's gas markets and established a common framework for coordinated, evidence-based discussion of future market reforms. The Pembroke project also reached a significant milestone through the Clean Grid Stability programme. Together, these activities represent positive progress towards broader participation, increased competition and the development of market arrangements required to operate a secure, flexible and increasingly decarbonised energy system. However, a number of these reforms remain at relatively early stages, and further evidence will be needed to demonstrate their impact on market and consumer outcomes.

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 Q2, we continued to develop market arrangements intended to broaden participation and support new sources of flexibility. Activity included progressing



Demand for Constraints, Demand Flexibility Service testing, the transition from the Local Constraint Market and preparations for future Market Facilitator arrangements.

We also engaged directly with more than 180 customers through our in-person Markets, Balancing and Dispatch summer update events. These sessions provided updates on market products and services, flexibility programmes, dispatch transparency and system constraints, while enabling participants to provide feedback and engage directly with subject-matter experts.

During the quarter, we also consulted on Relevant Balancing Services arrangements and continued engagement on Balancing Mechanism registration processes. These activities provided market participants with greater clarity on participation requirements and enabled stakeholder feedback to be incorporated into the ongoing development of balancing-service arrangements, supporting wider and more efficient participation in balancing markets.

Demand for Constraints progressed through to the procurement stage, after completing in-person engagement in Scotland and internal approvals. The new service will provide investment certainty for the installation of new, flexible capacity in Scotland (behind constraints), which will help us reduce curtailment of wind as well as increasing the volume of demand side flexibility in the Balancing Mechanism.

During the quarter, we announced that we would expand the Demand Flexibility Service by bringing together the capabilities of the Local Constraint Market and Demand Flexibility Service into a single route to market. These changes are intended to simplify participation, reduce barriers to entry and strengthen opportunities for demand-side flexibility providers to participate in NESO markets, supporting broader participation, stronger market signals and better value for consumers. The proposals have also been positively received by stakeholders, reflecting support for a simpler and more accessible route to market for flexibility providers.

We have also been working closely with DESNZ and Ofgem on the Clean Flexibility Roadmap activities since the annual forum in July and launch of a number of new actions. In addition, we are supporting DESNZ and UKRI with the demand turn-up trial (DTU), which aims to test the removal of one of the biggest barriers to DTU, final consumption levies.

Response Reform reached an important milestone during the quarter with implementation of approved Static and initial Dynamic Response changes on 31 July. The reforms introduced features including sub-MW unit participation and sub-integer bidding, helping reduce barriers to entry and enabling a wider range of technologies and providers to participate in response markets. Response market procurement has subsequently utilised the revised arrangements, supporting greater competition and helping reduce costs to consumers.

We also saw further progress in opening balancing and stability services to a wider range of technologies. The Pembroke project reached a significant milestone through the Clean Grid Stability programme, demonstrating how innovative technologies can contribute to system stability while participating in evolving balancing-service markets.



In July, we published our first Gas Market Roadmap, providing a strategic view of how Great Britain's gas markets may need to evolve to support a secure, affordable and decarbonised energy system. The roadmap was developed in close collaboration with industry through the Gas Advisory Council (GAC), alongside government, regulators, network operators and consumer representatives. The GAC has evolved into an effective forum for collaboration and has played an important role in shaping the roadmap and prioritising future areas of work. Feedback from GAC members and wider stakeholders continues to inform the development of future workstreams, helping refine scope, avoid duplication and focus effort on areas where further evidence and coordination are most valuable. A key benefit delivered through the roadmap has been increased clarity on the strategic challenges facing the future GB gas market, providing a common framework for coordinated, evidence-based discussion and decision-making across organisations. Activity during Q2 focused on transitioning into the first roadmap cycle, including development and scoping of priority areas identified for future work, which will continue to be coordinated through DESNZ, Ofgem and the GAC.

We also published analysis exploring the future role of low-carbon gases, improving understanding of how emerging technologies may contribute to system flexibility, resilience and decarbonisation and helping inform future market design considerations.

To support the Contract for Difference Allocation Round 8 (AR8) we worked with DESNZ to scope and implement changes to the Allocation Framework, which allow for new documentation to be provided in qualification appeals, correcting non-material errors. This change in policy was implemented in business processes and guidance during Q2 to remove a barrier preventing viable projects entering the bidding round. More details on the impact of this change will be presented in the next report.

The Capacity Market and Contracts for Difference qualification windows opened, supported with detailed guidance to help applicants understand both existing and new policy requirements. The Delivery Body team also delivered industry engagement events for new and existing participants, working closely with DESNZ, Ofgem, Low Carbon Contracts Company, Electricity Settlements Company and Electricity Market Reform Settlement.

The Delivery Body continued to engage customers through user groups for both the Capacity Market and Contracts for Difference schemes. In the Capacity Market, we proposed enhancements to the Capacity Market Registers to improve access to Secondary Trading information and shared a roadmap for further improvements during the NESO1 period, informed by participant survey feedback. For Contracts for Difference, we launched a new user group to review recent service improvements made ahead of AR8 and gather feedback on customer experience during the application window, helping to identify priorities for future enhancements.

Together, these activities demonstrate progress in developing market arrangements intended to support broader participation, reduce barriers to entry, increase competition and enable a wider range of technologies and providers to participate in energy markets.



Further information is provided in the Day-ahead procurement and Balancing services procured in a non-competitive manner sections of the Reported Metrics chapter.

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.

During Q2, we continued to progress market changes intended to provide the services and operational capabilities required to manage an increasingly flexible electricity system. Activity included implementation of Response Reform changes, alignment of Reserve Reform instruction data, testing of Demand Flexibility Service arrangements, progression of Locational Procurement and continued work with Elexon on Market Facilitator and Future Market Asset Registration (FMAR) arrangements.

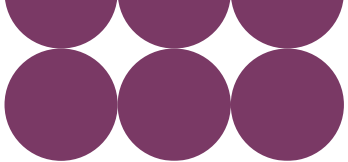
Approved Static and initial Dynamic Response changes were implemented on 31 July, and response procurement began using the revised arrangements. Demand Flexibility Service testing subsequently generated operational learning, with available evidence recording positive outcomes for control-room effectiveness, although participation volumes remained relatively low.

Locational Procurement progressed from discovery and stakeholder feedback into requirements development, design activity and preparation of procurement rules. This work is exploring the development of real-time and locational procurement of Dynamic Response and Reserve products, helping ensure future procurement arrangements better reflect local network conditions and system-operability requirements.

We also continued work on interconnector and cross-border trading arrangements to support secure and efficient system operation. During the quarter, this included engagement with Ofgem on the NTC Derogation process, development of the future Interconnector Framework and implementation planning associated with future trading arrangements. We also utilised tools and operational arrangements that are not routinely required to help manage cross-border flows and maintain system security during periods of market and system stress. These activities are helping ensure that interconnector and trading arrangements continue to support secure system operation while wider market reforms and future trading frameworks are developed.

In Q2, 94% of balancing services were procured no earlier than the day-ahead stage, comprising 4,425MW out of a total 4,696MW procured. This was above the contextual benchmark of 80% and increased from 92% in Q2 of the previous year. Growth in competitive Response and Reserve markets continued to reduce reliance on services procured earlier than day ahead.

Progress also continued across Market Facilitator and FMAR-related activities, including engagement with Elexon, data-release activities and preparations for future consultations and implementation activity. These initiatives are intended to prepare the



business for the implementation of the Flexibility Market Rules, which will align NESO/DSO markets. Reserve Reform also continued to progress, including data-alignment activities and assessment of the implications of GC0166 on reserve availability arrangements. This work is intended to ensure future reserve procurement arrangements continue to support secure and efficient system operation as technologies and market arrangements evolve. While several delivery dependencies remain, including Open Balancing Platform timelines, GC0166 implementation impacts and wider industry reform programmes, progress continued across the range of market and operational-service initiatives described above. These activities support the development of procurement arrangements and operational services required to operate the future energy system efficiently and securely. <i>Further information is provided in the Day-ahead procurement and Balancing services procured in a non-competitive manner sections of the Reported Metrics chapter.</i>	
Supporting measure	
Measure	Q2 Update
Day-ahead procurement	94% of balancing services were procured no earlier than day-ahead, comprising 4,425MW of the total 4,696MW procured.



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

During Q2, we continued implementing Connections Reform and progressing Gate 2 offer delivery while developing the policy, data and technology capabilities required for the enduring connections process. As at the end of September, 91% of Gate 2 Phase 1 (including Pre-28 Protected) offers had been issued, with progress continuing towards completion of the remaining offers. We also made further progress developing future queue-management arrangements, supporting capabilities and the policy framework required for the enduring process. Alongside Connections Reform activity, we progressed new technical standards and code modifications to support future system operability, including arrangements for EMT model provision, development of Grid Code requirements for large demand customers, and wider technical requirements needed to support increasing volumes of inverter-based resources and low-carbon technologies. While significant progress has been made, delivery performance remains impacted by dependencies on external information and industry processes, and work continues to improve offer quality and reduce the level of re-offers required.

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 Q2, we continued delivering Gate 2 Phase 1 offers under the reformed connections process. As at end of September, 91% of Gate 2 Phase 1 (including Pre-28 Protected) offers had been sent with Gate 2 Phase 2 offers not yet started, but due to commence in early Q3.

Offer quality is being monitored through the proportion of issued offers that subsequently require a re-offer, providing an early indicator of how quality is being maintained as the reformed process progresses. For Gate 2 Pre-2028 Protected Offers,



51% have required a re-offer. This is recognised as a high proportion, so work has been underway to identify and implement improvements. These include developing platforms to categorise and consolidate technical questions and rolling out a portfolio management approach across the Contract Management community. Together, these initiatives are intended to strengthen oversight, improve the management of technical issues, and ensure each offer has clear ownership through an assigned Contract Manager. The re-offer rate for Gate 2 Phase 1 has reduced to around 9% at end of September 2026. In order to reduce administrative burden on customers and in preparation for phase 2, an extensive programme of recruitment has been undertaken. This is intended to reinforce the ability to provide a more robust single NESO point of contact for customers. Accompanying this has been a programme of cross-training across operational teams.

Delivery of Gate 2 Phase 1 in Scotland progressed well, with all but two offers issued by 19 September in line with the Joint Industry Plan (JIP). The two exceptions were projects where explicit customer requests were made for the offers not to be sent. In England and Wales, however, the cadence and timing of information received from the transmission owner did not align with the JIP, which affected the delivery of offers and a revised delivery date of end-October has been agreed. The impact was mitigated as far as possible, and all connection projects experiencing a delay were informed accordingly. Delivery against the revised timelines remains dependent on the timely receipt of further information needed to support the offers. NESO has also proactively raised a significant number of technical queries ahead of offer provision, with the expectation that this intervention will improve the quality of the final offers. Although delivery remains challenging, we continue to work collaboratively with industry partners to support delivery against the agreed timetable. This includes through presentation and discussion of weekly performance through collaborative governance and command meetings.

Preparation for subsequent offer delivery also commenced, including consideration of starting Phase 2 delivery in Scotland alongside completion of Phase 1 in England and Wales.

Following customer requests, we published guidance on the process for moving from Gate 2 to Gate 1 and held a webinar on 27 August to explain the process and answer customer questions. The session was delivered jointly with Distribution Network Operator colleagues to provide customers considering this route with further clarity on the process. The regularity of existing industry forums with network owner companies has also increased with additional escalation forums being scheduled, largely with reference to the more challenging England and Wales area.

Much of the Q2 focus has been on queries and complaints as this was known to be a significant customer-focused improvement area. We have successfully reduced open queries from a peak of over 3,500 items to fewer than 800. This improvement has been driven through a structured recovery programme, including enhanced triage processes, strengthened governance and performance management, daily backlog reviews, clearer internal ownership of customer cases, and process improvements to support faster and more consistent resolution. Alongside this we have been actively developing



and trialling innovative AI-enabled solutions to streamline customer handling, improve information retrieval, reduce administrative burden, and support more efficient case resolution.

Supporting measures

Measure	Q2 Update
Connection offer timing	For all Phase 1 projects, 88% of projects will still be connected before 2030.
Connection re-offers (%)	Pre-2028 Protected – 51% (269/524) Gate 2 Phase 1 – 9% (41/444)
% of offers made in line with agreed industry plans	As at end of September, 91% of Gate 2 Phase 1 (inc Pre-28 Protected) offers have now been sent with Gate 2 Phase 2 offers not yet started.

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.

During Q2, we continued implementing the reformed connections process through Gate 2 Phase 1 delivery and development of the enduring queue-management arrangements. Progress continued in issuing and securing offers, including for protected projects and projects progressing through Gate 1 and Gate 2.

The reformed process prioritises projects that are ready to deliver and aligned with national targets, replacing the previous first-come, first-served approach. By end of September 2026, the Gate 2 connections queue is 366.9GW with 288 Gate 2 offers now contracted. The proportion of Gate 2 Phase 1 (including Pre-28 Protected) offers that have now been issued stands at 91%.

Development of the enduring queue-management process continued alongside work on the Government methodology for strategic and embedded demand, data cleansing and validation, regulatory approval of the enduring Connections Reform methodology, and readiness of supporting systems and portals. These remain critical dependencies for finalising the future operating process and future application arrangements.

We continued working with Government, Ofgem and network companies to progress outstanding decisions, while progressing data, analytics and systems-development activity where dependencies allowed.

Together, these activities are helping ensure the connections queue remains aligned with project readiness and wider strategic energy objectives.


Supporting measures

Measure	Q2 Update
Queue composition	The Gate 2 connection queue is currently 366.9GW at the latest reported point. More detail can be found on our connections reform webpage.
No. of Gate 1 Offers with Signed Contracts	1,529 Gate 1 offers are now contracted
No. of Gate 2 Offers with Signed Contracts	288 Gate 2 offers are now contracted

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 Q2, we continued working with Government, Ofgem and network companies on the policy arrangements required to support the enduring connections process. A key dependency remains the development of a definitive Government methodology covering strategic and embedded demand. We continue to engage with DESNZ and Ofgem on this issue, recognising that it will play an important role in determining how future applications are assessed and prioritised under the enduring Connections Reform framework.

Alongside this work, we continued providing technical advice and evidence to Government, Ofgem and network companies on the operability standards, technical requirements and regulatory arrangements needed to support future low-carbon infrastructure and an increasingly decarbonised electricity system.

During Q2, we progressed changes to the Grid Code and System Operator-Transmission Owner Code to strengthen the provision of Root Mean Square (RMS) and Electromagnetic Transient (EMT) models needed to assess an electricity system with increasing volumes of inverter-based resources. [CM097](#) and the associated [PM0147 model-sharing process](#) progressed through the relevant governance processes and were submitted to Ofgem for decision. In parallel, [GC0168: Submission of Electromagnetic Transient \(EMT\) Models](#) progressed through workgroup and Panel stages and was submitted to Ofgem, supported by development of an Electrical Standard setting out the associated model requirements. Subject to approval, these changes will strengthen NESO's ability to assess oscillation, inverter stability and transient overvoltage risks and support the secure integration of increasing volumes of inverter-based resources.



We also continued development of new Grid Code requirements for large demand customers, reflecting the growing role of major electricity users within a decarbonised energy system. During the quarter, work focused on establishing the core policy and technical proposals covering fault ride-through capability, active-power recovery, Rate of Change of Frequency (RoCoF) withstand limits, RMS and EMT modelling requirements, and dynamic monitoring and fault recording. Through the Demand Expert Group, we continued to engage industry stakeholders to test the proposed requirements against international practice and implementation capability, helping ensure future standards are both robust and proportionate. The work has now progressed towards a formal Grid Code modification, with the scope, technical requirements and legal text continuing to be refined.

During the period, we also launched a consultation on EDF UK's proposed Cottam Small Modular Reactor project, the first project considered for designation under the reformed connections process. If confirmed following consultation and regulatory review, designation would enable the project to apply for a Gate 2 connection offer, subject to the relevant readiness requirements.

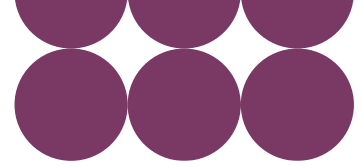
Development of the enduring Connections Reform methodology also continued, with final arrangements remaining subject to regulatory approval. This affects our ability to finalise elements of the future operating model and the policy arrangements required for future application processes.

D.4 Connections process is efficient and comprehensive.

This focuses on supporting the development and implementation of connections reform through policy input, stakeholder engagement and improvements to connections processes, helping to enable timely and efficient network access for generation and demand customers.

During Q2, we continued developing the process, data and technology capabilities required to support a more integrated and scalable end-to-end connections process. Work progressed on application tracking, workflow automation, data governance, customer communications and improved visibility of application, queue, offer and project status. These improvements are intended to support a more transparent, efficient and enduring connections process as application volumes and complexity increase. A new data-sharing tool (SBN) concept has been agreed in principle with the TOs and DNOs. The proposed solution aligns with existing policies and procedures and will provide a live, end-to-end view of the connections journey, from application submission through to queue formation outcomes. This enhanced visibility will support improved collaboration, decision-making, and operational efficiency across the process.

During Q2, NESO continued preparations for the Next Application Window (NAW), developing an evidence-led assessment of the scope, timing and readiness requirements for the window, which was presented to Gold Command. We further refined key policy and implementation dependencies, progressed customer



engagement, operational processes, systems readiness, testing and governance arrangements, and continued coordination with Transmission Owners, Distribution Network Operators, Ofgem and DESNZ. This work supports a readiness-led approach to ensuring any future window opening is underpinned by sufficient certainty on scope, network capacity, customer guidance and operational capability, enabling a robust and transparent application process.

Delivery of the enduring process remains dependent on a number of external and cross-industry factors, including completion of the G2TWQ process, policy decisions, data validation, and portal readiness. NESO continues to monitor and manage these dependencies while progressing implementation activities within its control, including process development, operational readiness and systems design.



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

During Q2, we continued to strengthen whole-energy-system resilience through the delivery of major resilience assessments, development of restoration capability and coordination of resilience planning across the energy sector. Key outputs included submission of the Energy Resilience Assessment 2026, publication of the Electricity Capacity Report 2026, Early View Winter Outlook and Gas Security of Supply Assessment and the submission of the Preliminary Report into the impact of the extreme heat event on the energy system in June 2026. These reports are providing insight into resilience risks, security-of-supply conditions and interdependencies across electricity and gas systems.

Following delivery of these assessments, activity increasingly focused on embedding resilience insights, strengthening preparedness, developing resilience performance measures and supporting coordinated action across government, regulators and industry. We also continued work to support implementation of the Electricity System Restoration Standard and strengthen understanding of emerging resilience risks, including weather-related risks, cyber threats and wider critical infrastructure interdependencies.

Since the end of Q2, NESO has published the outcome of the independent investigation into operational decision-making and record-keeping during the June period, alongside an update on the separate Ofgem-commissioned review, including publication of its preliminary report. The Ofgem-commissioned review remains ongoing, and further information will be provided in our Q3 report.

E.1 A system with maximum up time, demonstrable security of supply, 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; ensuring secure system operation; and demonstrating the continued assessment and delivery of security of supply.

**Security of supply**

During Q2, we continued activities to assess, maintain and strengthen system resilience, security of supply and preparedness for operational events. This included publication of the Electricity Capacity Report (ECR) 2026 and Early View Winter Outlook. We also submitted the first Gas Security of Supply Assessment (GSSA) for the near term (1-4 years) to Ofgem and DESNZ. These analyses are supporting understanding of near-term electricity and gas security-of-supply conditions and providing stakeholders with greater visibility of potential system risks.

In terms of security of supply, the ECR 2026 made recommendations to the Secretary of State on the target capacity and technology de-rating factors for the forthcoming T-1 and T-4 Capacity Market auctions for delivery in 2027/28 and 2030/31. These were accepted and implemented. The GSSA 26 1-4 year assessment which we submitted to DESNZ and Ofgem surfaced an emerging risk to gas supply security by the 2030s, with DESNZ committing to setting out enduring mitigations in due course. NESO will provide an updated GSSA this autumn as required by licence.

Sector preparedness: Restoration

We also continued work to enhance restoration capability and preparedness arrangements in support of delivery of the Electricity System Restoration Standard by December 2026. This work is intended to strengthen recovery capability following significant system events and remains dependent on ongoing coordination with industry partners and ensuring the supporting technologies are in place.

In support of the Electricity System Restoration Standard, we expanded restoration testing and took a new approach to training activity. Since April 2026, more than 120 NESO and 110 industry control engineers across eight organisations have participated in training and exercising, improving plan familiarity, role clarity and joint response capability. NESO received highly positive feedback from our industry participants on the quality of the training and exercising programme. Assurance testing of more than 20 self-start capable generators also confirmed the readiness of critical restoration assets and continues to inform improvements to restoration plans and ways of working across the sector.

Sector preparedness: Exercising

We strengthened industry preparedness and response capability through an expanded programme of resilience exercising and testing. During the quarter, we led and participated in a series of resilience exercises, including a first-of-its-kind impact-led Emergency Process Assessment exercise involving 43 gas and electricity organisations over four days, focused on the loss of telecommunications services. Participants identified opportunities to exercise the scenario within their own organisations, demonstrating the exercise's wider benefits in strengthening organisational resilience. We led a North Sea Electricity Security exercise involving ten operators from across the North Sea region, testing information-sharing and coordination arrangements during a disruption scenario. Post-exercise feedback following the North Sea exercise was overwhelmingly positive, with participants highlighting the value of understanding peer



organisations' operational challenges, building trusted relationships across the North Sea community, and identifying practical areas for future collaboration.

In addition, we developed and delivered an Energy Resilience Group-Cyber Collaboration (ERG-CC) led industry-wide cyber exercise involving 35 participants from across the energy sector, government, regulatory and cyber-security organisations. The exercise tested coordination and response arrangements for a major operational technology incident and provided an opportunity to examine how sector, government and regulatory roles would interact during a cyber event. Participants highlighted the value of bringing these organisations together, improving visibility of response arrangements, and identifying opportunities to strengthen information-sharing, coordination and recovery planning. The outputs also generated recommendations for future collaborative activity, helping inform ongoing sector-wide improvements beyond the exercise itself.

Together, these activities strengthened cross-sector coordination, improved preparedness and enhanced the industry's ability to respond to and recover from a range of resilience scenarios.

We implemented new operational arrangements designed to strengthen resilience during challenging system conditions. We developed and implemented an Embedded Generation Control Protocol (EGCP), providing a coordinated approach for reducing embedded generation output through Distribution Network Operators where required to support secure system operation during periods of localised low demand. This enhances our ability to manage system risks associated with increasingly decentralised generation and provides an additional operational tool to support system security.

Following Ofgem approval of Grid Code Modification GC0176, we developed and communicated an updated Demand Control Rotation Protocol (DCRP). The revised protocol provides a framework for reducing electricity demand through controlled rota disconnections in extreme scenarios, strengthening preparedness arrangements and helping ensure that effective demand-reduction measures are available if required to protect the security of the electricity system.

System operations

Summer 2026 presented challenging operating conditions, including periods of high temperatures, low wind generation and wider system constraints. On 17 July, Ofgem commissioned an independent review into the electricity-system operational events associated with the June heatwave, including Electricity Margin Notices issued during that period and lessons for future resilience planning. Since the end of Q2, NESO has published the outcome of its separate independent investigation into operational decision-making and record-keeping, alongside an update on the Ofgem-commissioned review and its published preliminary report. The Ofgem-commissioned review remains ongoing, and further information will be provided in our Q3 report.

During Q2 there were no frequency excursions greater than 0.5Hz from 50Hz lasting more than 60 seconds, no frequency deviations between 0.3Hz and 0.5Hz lasting more than 60 seconds, and no reportable voltage excursions.



Further information on current system resilience is provided in the Security of Supply and CNI Outages sections of the Reported Metrics chapter.

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.

During Q2, we continued to strengthen whole-energy-system resilience through the delivery of major resilience assessments, development of restoration capability and coordination of resilience planning across the energy sector. Key outputs included the Energy Resilience Assessment 2026, Electricity Capacity Report 2026, CNI Review, and Gas Security of Supply Assessment (1-4 years), alongside analysis supporting winter preparedness. Together, these activities improved understanding of resilience risks, security-of-supply conditions and interdependencies across electricity and gas systems.

The Energy Resilience Assessment 2026 provided an independent assessment of resilience risks and vulnerabilities across the wider energy system and supported our role in identifying, assessing and communicating whole-system risks. Alongside this, delivery of the Electricity Capacity Report and Gas Security of Supply Assessment (see E.1 above) strengthened understanding of near-term adequacy risks and resilience challenges across both electricity and gas infrastructure.

The completion of these major pieces of analysis was then followed by activity focused on embedding resilience insights, strengthening preparedness activities and establishing resilience performance measures to support the delivery of long-term resilience outcomes.

The scope of resilience activity continued to broaden beyond the electricity system. Work increasingly focused on whole-energy-system risks and interdependencies, including gas and electricity interactions, cyber resilience, restoration capability and emerging risks affecting wider critical infrastructure. This reflects our continued evolution of the whole-energy-system resilience function and growing role in supporting coordinated action across the energy sector.

During Q2, we also worked with asset owners and operators to improve understanding of risks across the whole energy system. This work identified key dependencies, high-impact points of failure and areas of concentrated risk, enabling resilience activities to be prioritised and targeted towards the areas of greatest potential impact. Recommendations arising from this work were provided to DESNZ and Ofgem to support wider resilience planning and decision-making, including exploring approaches towards the funding of mitigations.

We continued strengthening international partnerships to identify opportunities to enhance resilience in Great Britain through the sharing of experience and lessons learned from major system events. During the quarter, we worked with counterparts in



Portugal to better understand the lessons emerging from the Iberian power system incident and assess their relevance and potential application to the GB energy system.

We continued strengthening operational resilience through improvements in the information and data capabilities used to support system operation. Working with the Met Office, we continued improving how weather and climate information is used within energy system planning and electricity system operation. As the electricity system becomes increasingly dependent on weather-driven renewable generation, more sophisticated weather data and forecasting capability are helping improve operational decision-making, preparedness and resilience. This collaboration supports earlier identification of emerging risks, strengthens understanding of potential system impacts and helps inform operational responses under increasingly complex weather conditions.

We introduced a new digital messaging service within the Control Room, replacing legacy fax-based processes used to communicate outage and operational information. The new service improves the speed, reliability and traceability of operational communications, reducing reliance on legacy systems and strengthening our capability to coordinate responses during both normal and stressed system conditions. Together, these activities enhance situational awareness, reduce operational risk and improve preparedness for future system challenges.

We continued to strengthen our role as a trusted technical authority through independent resilience analysis, risk assessments and coordinated resilience activity, supporting government, regulators and industry in understanding and responding to increasingly complex whole-energy-system risks.



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

During Q2, we continued to develop the digital infrastructure, data services and common standards needed to support a more connected energy system. A major milestone was achieved through the first pre-release of the Data Sharing Infrastructure Minimum Viable Product on 4 August, a key step in the programme's journey from concept towards an operational capability for secure and standardised data sharing across the energy sector. The Open Data Portal continued to provide reliable public access to NESO data. We continued engaging with customers on AI-powered improvements to the Open Data Portal ahead of a closed-group beta release. Industry engagement increased significantly through onboarding of energy networks as participants of the Data Sharing Infrastructure MVP, and technical workshops were run in preparation for participant-testing later in the year. We also progressed work with industry and Ofgem on whole-energy-system data standards, ontologies and taxonomies, supporting future interoperability and sector digitalisation in addition to undertaking the Architectural Reference Framework commission from Ofgem.

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 Q2, the Open Data Portal continued to provide public access to NESO data and support wider transparency across the energy sector. Alongside day-to-day operation of the service, work continued to improve how users discover, access and use data. User engagement and testing leveraging a fully functional beta representing Data Portal's future direction informed and validated enhancements focused on information discovery, dataset exploration and usability. In addition, work continues at pace specific to the enhancement of the Data Portal platform with a focus on significantly enhanced performance, scalability, and reliability. Together, these initiatives will help users obtain greater value from published data when they 'come to market' in Q4 2026.



Ongoing customer feedback also supports the continued improvement of the Open Data Portal and is captured through our 'help us improve' feature with 11 feedback requests received during Q2 (54 since feature introduction – Sept 25) with 98% delivering feedback on data discoverability. This insight has led to NESO's focus on AI augmentation within Data Portal with a view to simplifying the discovery of and dynamic insight generation from published open data.

Data quality continued to improve throughout the quarter, with the proportion of datasets exceeding the Data Quality Silver standard increasing to 99% during Q2. We also continued to review and publish open-data requests where publication through the Open Data Portal was considered the most appropriate route, with 100% of qualifying open-data requests published during Q2. Together, these activities support wider transparency and improve access to energy-system information.

Supporting measures

Measure	Q2 Update
Percentage of data sharing requests with data sharing status outcome of "Open" that are published to data portal.	100% of qualifying open-data requests were published during Q2.
Data Quality – % of published datasets above the Data Quality Silver (minimum – > 80%) standard.	99% of datasets exceeded the Data Quality Silver standard during Q2.

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.

During Q2, we launched the first pre-release of the Data Sharing Infrastructure Minimum Viable Product, marking a significant programme milestone. Developed in collaboration with 14 organisations, the pre-release moved the DSI initiative from concept towards an initial working model for scalable, secure and resilient data sharing across the energy sector. It has enabled eligible participants to begin digital governance activities, establish supporting environments and begin testing of the code.

Overall scope of stakeholder engagement has expanded substantially compared to the initial pilot phase, and beyond the original success threshold for the MVP phase, with 14 organisations now being actively engaged in the development of the MVP – this includes all GB energy networks and Ofgem. In parallel, we maintain continuous coordination with Elexon and RECCo through regular workshops regarding integration of the DSI with the Flexibility Market Asset Register (FMAR) and Consumer Consent Solution respectively.

Scale of MVP participant engagement events increased in the run up to the pre-release and following it, as the programme is gearing towards the start of formal participant-



testing later in autumn. Eleven organisations had joined the MVP Development Agreement at the latest reported point, establishing the initial cohort for DSI MVP testing. A two-day technical workshop was held in Warwick in August, and a one-day 'data fest' event was held in London in September – both events were very well attended and received positive feedback. In-person delivery plan walkthroughs have been run with nine participant teams, alongside deployment support and onboarding activities.

We issued our first participant survey on 12 August to assess the effectiveness of our engagement and gather feedback on the approach and methods. Initial responses were positive, delivering an overall satisfaction score of 4.3 out of 5. Feedback from participants is being incorporated into future development and engagement activities.

Alongside our DSI coordination role, we also continued developing our role as a participant in the Data Sharing Infrastructure, engaging internal teams on potential future applications and use cases. Continued assurance, architecture and technical activities are supporting readiness for wider participant testing.

Progress continues to embed the Domain Coordinator function, with four Digitalisation Framework and Domain Coordinator overview sessions delivered by the end of September. Direct engagement with core energy data holders has been established through existing industry forums, with work underway to develop a consolidated view of existing domain standards.

Supporting measures

Measure	Q2 Update
Number of participants onboarded	Eleven participants had signed up to the DSI MVP Development Agreement at the latest reported point, with the remaining four participants progressing through the onboarding process.
Number of onboarded DSI participants involved in DSI test events (FY27 + 28)	To be confirmed following commencement of participant testing.
Number of test events performed utilising the DSI (FY27 + 28)	To be confirmed following commencement of participant testing.
Number of data products shared during DSI test events (period FY27 + 28)	To be confirmed following commencement of participant testing.

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.



During Q2, we continued working with industry to identify priority whole-energy-system data standards, ontologies and taxonomies. Proposed terms of reference were submitted to Ofgem for review, supporting development of a future roadmap and the next phase of activity. This work will help improve interoperability, support future data-sharing arrangements and enable a more consistent digital architecture across the energy sector.

Additionally, we were commissioned by Ofgem to develop an 'Architectural Reference Framework' in collaboration with RECCo and Elexon, which Ofgem will consult on later in 2026. This work will become a key resource for the future Digitalisation Coordinator role and is the foundation from which the Coordinator can support delivering sector digitalisation more broadly.

In July, we published the [Innovation Annual Summary](#), highlighting how digital tools, artificial intelligence and simulation are being applied across the energy system. This included FastPress Alpha+, which uses artificial intelligence to assess future gas demand and supply scenarios and support long-term gas-network planning.

During the quarter, digital products supporting strategic planning and system transformation continued to demonstrate strong stakeholder engagement. By September, the Beyond 2030 and Clean Power 2030 digital platform had received more than 33,000 views, Connections Reform more than 14,000 views and the tRESP Nations and Regions platform more than 18,000 views. These products are helping stakeholders access complex energy-system information, engage with planning outputs and make greater use of digital tools to support decision-making.

Alongside wider digitalisation activity, digital services supporting access to industry data continued to perform strongly. By the end of September, Open Data Portal availability reached 99.96%, API response was 98.26% and customer issues were resolved in an average of 3.8 days. These results support continued confidence in the digital services that underpin access to NESO data and information, while helping maintain a reliable platform for wider sector digitalisation activities.

Supporting measures

Measure	Q2 Update
Percentage of time data is available to industry	Open Data Portal availability reached 99.96% during September.
API response time	API response time was 98.26% in September.
Average time to remedy issues raised by customers (days)	Customer issues were resolved in an average of 3.8 days during September.



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 Q2, we continued to strengthen the quality, transparency and independence of our services to customers and stakeholders. Our latest Trust Index score of 56.4% demonstrates a meaningful but uneven foundation of trust. Stakeholders recognise our technical expertise, independence and whole-system role, while feedback highlights that we are not yet delivering a consistently high level of trust across all interactions. Reliable delivery is the clearest area for improvement, alongside clearer ownership, more transparent decision-making and making NESO easier to work with. Connections-related activity materially influenced this feedback. We recognise that sustained improvement is required and are implementing a targeted improvement plan alongside our wider customer transformation.

Alongside this, we made progress in improving the transparency of our decision-making, including greater visibility of the methodologies, governance and evidence underpinning strategic energy planning, increased transparency around dispatch decisions, and examples of stakeholder input directly informing our work. Code Governance also continued to deliver its responsibilities across the CUSC, Grid Code, STC and SQSS while preparing for Energy Code Reform. Overall, Q2 demonstrates a credible base to build from, but further improvement is necessary to translate our expertise and independence into consistently reliable delivery, transparent decision-making and a straightforward customer experience.

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.

NESO measures stakeholder and customer trust through a composite Trust Index based on four drivers derived from customer feedback: credible expertise, reliable delivery,



open and impartial information, and being easy to work with. The latest score of **56.4%** demonstrates a meaningful but uneven foundation of trust. Stakeholders recognise NESO's expertise, independence and important whole-system role, but confidence is reduced where delivery is delayed, ownership is unclear, decisions are not sufficiently transparent, or interactions are difficult to navigate.

Credible expertise. Stakeholders recognised NESO's strong technical capability, system knowledge and independent perspective. Confidence was highest where specialist colleagues provided authoritative insight and translated complex issues into clear, practical advice. Feedback indicates that this expertise should be connected more consistently to customers' commercial and delivery circumstances.

Reliable delivery. This was the clearest area for improvement. Stakeholders reported changing or missed timescales, uneven follow-through and limited visibility of progress or ownership. Connections-related activity materially affected this feedback. While some outcomes depend on other system parties, customers expect NESO to manage the elements within its control and communicate dependencies clearly.

Open and impartial information. Stakeholders generally valued NESO's willingness to engage and provide evidence-based information, supporting confidence in its impartial role. Trust was weaker where the evidence, rationale or trade-offs behind decisions were not sufficiently visible, or where stakeholders could not see how their input had influenced the outcome.

Easy to work with. Positive experiences were associated with knowledgeable colleagues, named contacts and responsive, collaborative support. However, the experience was inconsistent where customers had difficulty navigating processes, accessing the right expertise or resolving issues across team boundaries. Clearer ownership and more joined-up case management are required.

Overall, the results indicate that NESO has a credible base of stakeholder and customer trust, but further improvement is necessary before trust can be considered consistently high. NESO's targeted improvement plan and wider customer transformation are focused on strengthening delivery against commitments, end-to-end ownership, decision transparency, coordination and the resolution of customer issues. Progress will be assessed through subsequent Trust Index results and supporting feedback, with a consistent approach to tracking actions, closing the feedback loop and demonstrating sustained improvement.

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.

Activity in relation to our next business planning cycle (NESO2) will begin in due course. 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.

During Q2, NESO took practical steps to improve the transparency of its decision-making by publishing more of the methodologies, governance arrangements and evidence underpinning key activities. This included the [SSEP Transparency Update](#), which provided greater visibility of the Strategic Spatial Energy Plan approach and development; the [SSEP Methodology Update](#), which explained how the methodology had evolved following further analysis and stakeholder engagement; and the [RESP Governance Guide](#), which set out how Regional Energy Strategic Plans will be developed, governed and approved, including the role of stakeholders. Engagement through the Strategic Energy Planning Forums also informed the continuing development of SSEP, RESP and wider strategic planning activity.

There were further examples of stakeholder input shaping NESO's work. Through Reformed National Pricing, the Industry Expert Panel helped refine cost-benefit analysis methodologies and inform reform options and implementation approaches. Similarly, the [Gas Market Roadmap](#) was developed collaboratively through the Gas Advisory Council, with feedback helping to prioritise future work and shape delivery plans. These examples demonstrate a stronger improvement focus and provide tangible evidence of more open, evidence-based and participative decision-making.

In operational areas, NESO increased transparency by publishing additional information on dispatch decision-making, including constraint skip-rate data and a public update on the work under way to improve dispatch transparency and understand the causes of skip rates ([Positive progress on skip rates and next steps](#)). This gives market participants greater visibility of operational decisions, performance challenges and the actions being taken to improve outcomes.

Stakeholder feedback shows that this level of clarity is valued but remains inconsistent, particularly where the rationale and trade-offs behind decisions, or the influence of stakeholder input, are not clear. These Q2 actions demonstrate improvement, but further work is needed to apply this approach consistently. NESO will continue to strengthen transparency, close the feedback loop and test progress through future Trust Index results and wider stakeholder feedback.

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.



During Q2, Code Governance maintained compliance with licence obligations while administering modifications across the CUSC, Grid Code, STC and SQSS. The team progressed four urgent CUSC modifications during the quarter: CMP470, CMP471, CMP474 and CMP475. This activity was delivered alongside the wider portfolio of code changes and preparations for Energy Code Reform.

Technical Code changes implemented during the period included GC0164 on 9 July. This modification simplified sections of Operating Code No. 2 to help users identify and understand their obligations more easily, as part of the Alignment, Simplification and Rationalisation workstream of the Digitalised Whole System Technical Code project.

As Chair of the Code Administrators Code of Practice, NESO continued to promote collaboration, consistency and best practice across Code Administrators. NESO led the latest CACoP survey, which received 48 responses across the industry codes. The survey provides a basis for Code Administrators to consider and respond to stakeholder feedback on the service provided.

During the quarter, NESO continued preparing for Energy Code Reform by engaging with Code Panels, other Code Administrators and industry stakeholders on the new prioritisation framework. This included applying the second Strategic Direction Statement in September 2026, building on the framework introduced earlier in the year for assessing new and existing modifications.

Governance templates, reporting arrangements and internal processes were updated to reflect emerging Energy Code Reform requirements and support the future code-governance framework. NESO also responded to Energy Code Reform consultations during Q2 and participated in Phase 2 workshops covering gas and electricity, including leading and contributing to discussions with other Code Administrators.

Together, this activity supported continued delivery of NESO's Code Administrator responsibilities while preparing for future regulatory and governance changes across the energy sector.

Stakeholder Evidence

H1 2026–27 (Mid-Year)



Introduction

As part of our incentives scheme reporting requirements, NESO gathers and presents evidence of stakeholder views on its performance every six months. This formal reporting is underpinned by an ongoing commitment to use stakeholder insight to assess delivery, identify emerging issues and improve how we operate across the energy system.

This section presents the results of our most recent stakeholder survey, together with the principal themes identified. Relevant stakeholder evidence is also reflected in the Performance Objective narratives in the preceding chapter.

NESO continues to maintain an internal focus on reviewing and responding to stakeholder feedback and incorporating it into relevant programmes, services and improvement activity. We have sought to close the feedback loop by directing issues to accountable teams, using the insight to inform decisions and delivery priorities, and communicating progress through ongoing engagement where appropriate.

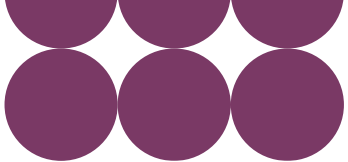
Sep-26 Stakeholder Surveys

NESO commissioned BMG, an independent market research company, to assess stakeholder views of its performance against each Performance Objective. The survey sought feedback from senior managers, decision-makers and subject matter experts across a broad range of organisations with direct and substantive experience of NESO's services during the previous six months.

For Performance Objectives 1–6 respondents were asked to provide evidence of their direct experience of NESO and to assess performance through the following questions:

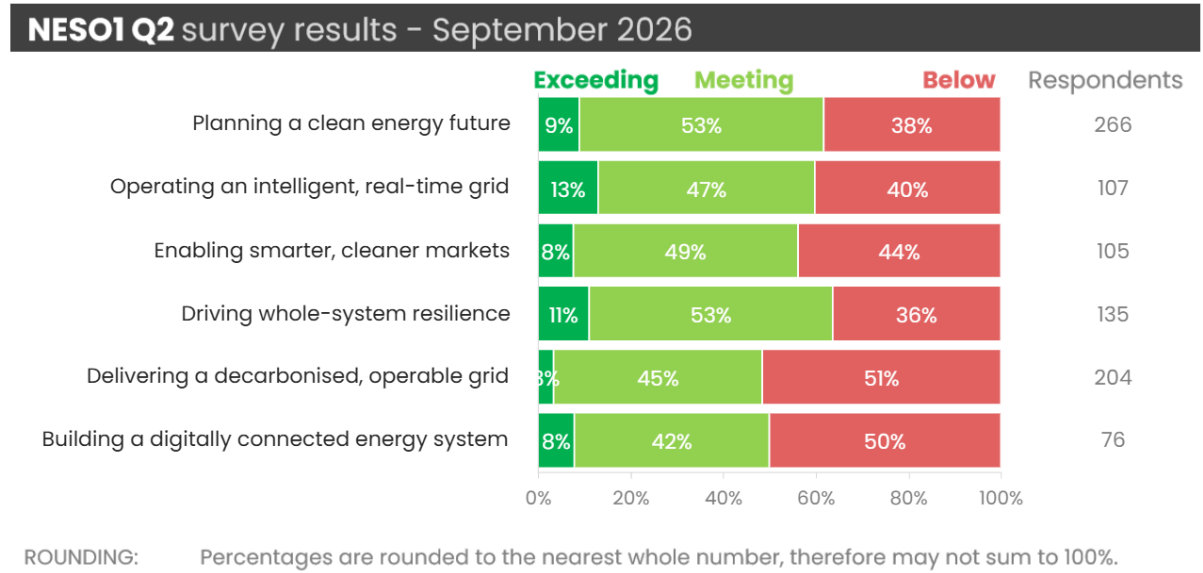
1. **Direct experience:** respondents identified the Performance Objectives for which they had worked with NESO or used its services during the previous six months.
2. **Performance against expectations:** for each relevant Performance Objective, respondents rated NESO's performance as below, meeting or exceeding expectations.
3. **Supporting evidence:** respondents were invited to explain their rating and provide evidence from their experience.

Performance Objective 7 is designed to reflect stakeholders' overall experience of NESO and was therefore assessed through a Trust Index. This combines ratings across four dimensions of trust—easy to work with, reliable, impartial and credible—providing direct evidence for the objective without duplicating feedback captured under the other Performance Objectives.



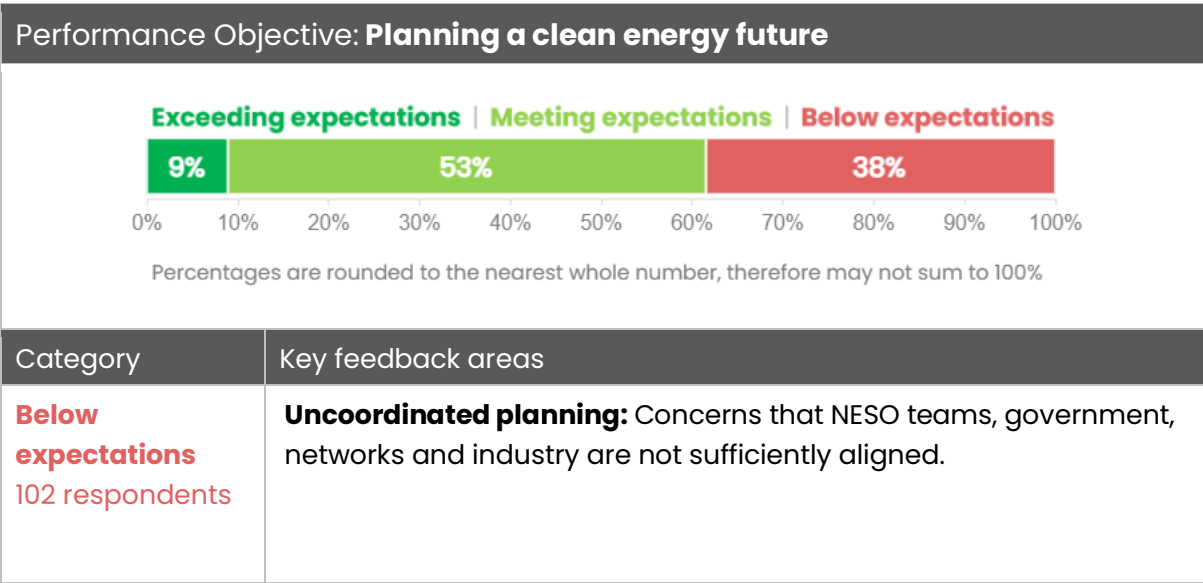
Survey results by Performance Objective

BMG contacted **3,844** stakeholders and received **400** responses from across NESO’s stakeholder base. The following section summarises the results for each Performance Objective, including the number of respondents with sufficient direct experience to provide a rating.



Summary of stakeholder feedback themes

Below we summarise the key themes from responses to questions asking stakeholders to provide evidence of their direct experience of NESO across the Performance Objectives. We have categorised the themes by Performance Objective, and by those who evaluated our performance as below, meeting or exceeding expectations.





	Lack of transparency: Respondents wanted clearer assumptions, capacity information and SSEP/CP2030 planning outcomes.
Meeting expectations 140 respondents	Progress on strategic planning: FES, SSEP, CSNP and Clean Power planning were generally viewed as useful and increasingly structured. Stakeholder engagement: Consultations, events and working groups were valued, although respondents wanted clearer evidence that feedback influences decisions. Need for integration and delivery: Calls for stronger links between policy, national and regional plans and practical delivery.
Exceeding expectations 24 respondents	Stronger stakeholder engagement: Praise for extensive, inclusive engagement, stakeholder reach and openness. Quality and ambition of planning: Respondents highlighted clear direction, strong expertise and high-quality strategic outputs. Regional planning: Positive feedback on collaboration with local and public-sector stakeholders.

Performance Objective: **Operating an intelligent, real-time grid**



Category	Key feedback areas
Below expectations 43 respondents	Inefficient balancing and dispatch: concerns focused on high BESS skip rates, manual or suboptimal dispatch decisions, renewable curtailment and inefficient constraint management. Growing system complexity: some respondents raised concerns around changing generation and demand patterns, alongside wider network constraints increasing operational challenges and system performance. Limited data and system integration: calls for better real-time data, clearer operational information and greater integration of storage, flexibility, smaller assets and DNO control systems.



Meeting expectations 50 respondents	Reliable core operation: respondents generally recognised that NESO continues to operate a stable system while managing increasing complexity. Progress in tools and capability: improvements in operational tools, automation and real-time management were acknowledged, although some described progress as slow or incomplete. Further optimisation needed: respondents still highlighted BESS dispatch, skip rates, coordination with DNOs and the integration of new technologies as areas for improvement.
Exceeding expectations 14 respondents	Operational expertise: respondents praised the knowledge and experience of NESO's control-room, compliance and programme teams. Innovation and delivery: positive feedback highlighted NESO's innovative programmes, international leadership and willingness to support novel projects and technologies. Responsive collaboration: fast responses, open communication, customer focus and effective collaboration with other system operators were commended.

Performance Objective: **Enabling smarter, cleaner markets**

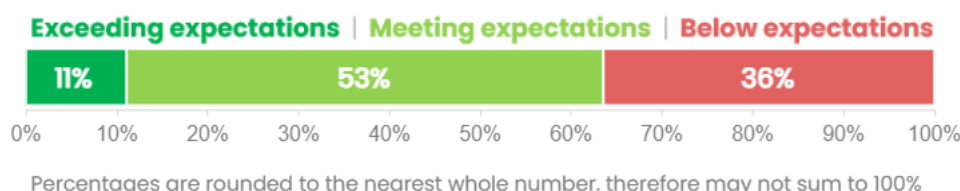


Category	Key feedback areas
Below expectations 46 respondents	Market reform and design: concerns centred on RNP/REMA, RRT, connections reform and market rules that respondents considered unclear, impractical or damaging. Transparency and decision-making: respondents called for clearer consultation, faster decisions and greater evidence that stakeholder concerns influence outcomes. Market access and coordination: concerns included delays integrating batteries, limited access for DSR and distributed assets, transmission-centric markets and insufficient coordination across electricity, gas and hydrogen.



Meeting expectations 51 respondents	Progress in market development: respondents recognised a growing range of markets and reforms supporting competition, flexibility and decarbonisation. Positive but uneven implementation: some reforms and engagement were viewed positively, although delivery pace, complexity and consistency remained concerns. Greater flexibility and access needed: respondents wanted continued improvement in storage participation, smaller-asset access, balancing arrangements and consumer-focused outcomes.
Exceeding expectations 8 respondents	Innovation and market leadership: respondents praised NESO's ambition, expertise and work to develop innovative, cleaner-market solutions. Flexibility and whole-system initiatives: positive feedback highlighted work supporting flexibility, storage and coordinated market development. Constructive engagement: respondents valued effective collaboration and progress made through industry engagement.

Performance Objective: Driving whole-system resilience



Category	Key feedback areas
Below expectations 49 respondents	Insufficient whole-system integration: respondents felt the focus remained too electricity-centric, with limited integration of gas, hydrogen, heat, distribution networks and other energy vectors. Preparedness and security-of-supply concerns: comments questioned whether risks, emergency scenarios and restoration arrangements are sufficiently tested and challenged. Delays and infrastructure constraints: connections delays, queue reform, network capacity and slow implementation were seen as increasing resilience risks and investment uncertainty.
Meeting expectations	Maintaining a secure and reliable system: respondents generally recognised NESO's focus on system security and its continued



71 respondents	ability to maintain supply as the energy mix changes. Progress in coordination and planning: planning, monitoring and stakeholder coordination were viewed as broadly appropriate, although still developing. Further integration and visibility needed: respondents wanted earlier identification of risks, clearer communication and stronger coordination across transmission, distribution and other energy vectors.
Exceeding expectations 15 respondents	Strong security and incident management: respondents praised NESO's ability to maintain system stability, manage operational risks and respond effectively to incidents. Whole-system leadership: positive feedback highlighted strong coordination across organisations and a broad understanding of system-wide dependencies. Expertise and collaboration: respondents valued knowledgeable teams, effective stakeholder engagement and robust resilience planning.

Performance Objective: Delivering a decarbonised, operable grid



Category	Key feedback areas
Below expectations 105 respondents	Connections reform and delays: Gate 2, queue management and delayed or changing connection offers were seen as obstructing viable renewable and storage projects. Network constraints and operability: respondents raised curtailment, outages, reinforcement delays and concerns about operating a low-carbon system reliably. Cost and investment uncertainty: unclear timelines, rising costs and poor communication were said to undermine project delivery and confidence in meeting Clean Power 2030.



Meeting expectations 92 respondents	Progress on decarbonisation: respondents recognised increasing integration of renewable generation, storage and other low-carbon technologies while maintaining system security. Managing a more complex system: NESO was generally seen as addressing operability challenges, but constraints, curtailment and system stability remain significant issues. Need for faster, coordinated delivery: closer coordination across planning, real-time operation, TOs and DNOs—and faster connections and infrastructure delivery—was requested.
Exceeding expectations 7 respondents	Leadership and innovation: some respondents praised NESO's capabilities and progress in areas such as System Access Reform. Understanding the transition: positive feedback highlighted NESO's awareness of the challenges and understanding of the steps required. Enabling infrastructure delivery: planned outages supporting network improvements, asset upgrades and lower-carbon infrastructure were praised.

Performance Objective: Building a digitally connected energy system

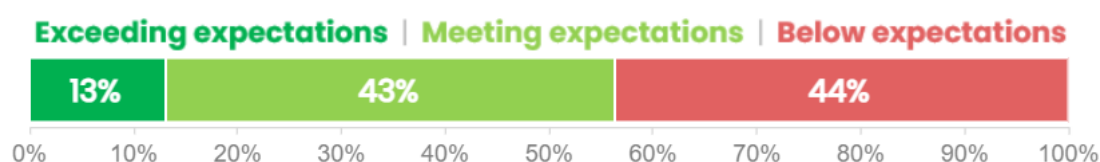


Category	Key feedback areas
Below expectations 38 respondents	Data quality and accessibility: respondents reported incomplete, inconsistent or unreliable data, insufficient access to assumptions and limited visibility of capacity and constraints. Legacy and fragmented systems: continued reliance on PDFs, spreadsheets, EDL/EDT and manual processes was viewed as incompatible with a modern digitally connected system. Limited integration and interoperability: respondents wanted better data standards and integration among NESO, DNOs, suppliers and customers, including a clearer digital spine and faster rollout of system links.



Meeting expectations 32 respondents	Progress in platforms and data sharing: improvements such as the Data Portal, Capacity Market Portal, Open Balancing Programme and emerging planning platforms were recognised. Digital capability is developing: respondents noted useful expertise and steady progress but described the work as still maturing or insufficiently visible. Better integration and user experience needed: calls remained for more timely, consistent and user-friendly data, interoperable systems and clearer coordination among NESO, Ofgem, DESNZ and networks.
Exceeding expectations 6 respondents	Data standards and information exchange: positive feedback highlighted NESO's work to promote common standards, APIs and improved industry data-sharing. Industry coordination: respondents praised NESO's ability to work with other operators and act as an architect for a more connected system. Joint working through reform: particular praise was given to collaborative reform activity and effective working with network organisations.

Performance Objective: **Providing customers with a high-quality, independent and trusted service**



Percentages are rounded to the nearest whole number, therefore may not sum to 100%

Category	Key feedback areas
Below expectations 652 ratings	Delivery and reliability: respondents frequently cited missed commitments, delays, shifting timelines and insufficient visible progress—particularly around connections reform. Transparency and evidence-based decisions: respondents highlighted limited or inaccessible information, unclear decision-making rationale and insufficient traceability of trade-offs, alternative options and ownership when issues arose.



	Accessible and responsive customer service: respondents described complex and difficult to navigate processes, limited access to named experts, slow responses to requests and unresolved issues. Applied Expertise and customer understanding: Some respondents felt technical capability is not always translated into pragmatic decisions that reflect investment or commercial realities.
Meeting expectations 646 ratings	Credible technical expertise: respondents generally recognised knowledgeable people and a valuable system-wide perspective, although expertise and service quality varied between teams. Broadly effective engagement: consultation and collaboration were usually considered adequate, but respondents wanted clearer evidence that feedback influences decisions. Generally balanced information: information was often viewed as fair and useful, although sometimes too technical, unclear or insufficiently accessible. Acceptable but inconsistent delivery: commitments and working relationships were generally managed adequately, with delays, process complexity and responsiveness preventing stronger ratings.
Exceeding expectations 197 ratings	Strong people and expertise: Many respondents praised deep technical knowledge, high-quality analysis and professional and credible staff with authoritative understanding of the energy system. Open and balanced communication: positive feedback highlighted clear explanations, well-considered information and transparent, impartial engagement. Responsive and collaborative: fast responses, accessible contacts and constructive working relationships were frequently commended.

Note: Given the breadth of this Performance Objective and its focus on stakeholders' overall experience of NESO, it was assessed through the Trust Index. This combines feedback across four dimensions of trust, providing direct evidence of overall performance without duplicating feedback captured under other Performance Objectives. The rating counts shown above therefore represent ratings across the Trust Index dimensions rather than individual respondents.

Value for Money

H1 2026-27 (Mid-Year)



Introduction

This chapter fulfils NESO's reporting obligations under Licence Condition G2 and the NESO Performance Arrangements Governance Document (PAGD) in respect of value for money and expenditure reporting. It provides information on expenditure and forecast expenditure against the approved Business Plan, explains material variances from plan, and sets out supporting evidence relevant to the assessment of value for money during the reporting period.

NESO is undertaking a Zero-Based Review (ZBR) to strengthen how it demonstrates Value for Money, including providing greater transparency over the relationship between expenditure, resource inputs, delivery activities and resulting outcomes. The review complements the expenditure and performance evidence set out in this report and provides additional assurance that resources are being deployed efficiently, that expenditure remains justified by delivery requirements, and that opportunities to optimise costs and improve value are being actively identified and pursued.

How to read this chapter

This report provides an update on how NESO has delivered Value for Money during the first six months of the NESO1 period.

In accordance with the PAGD, the report demonstrates both how NESO is delivering value through its statutory roles and strategic objectives, and how expenditure has been managed relative to the approved NESO1 Business Plan.

The report is structured in two parts:

- Value for Money Case Studies demonstrating how management decisions, operational improvements and investments have delivered value for consumers, customers and stakeholders.
- Expenditure Variance Analysis explaining material differences between forecast expenditure and the approved NESO1 Business Plan baseline.

Together, these provide evidence that Value for Money is being delivered through both effective decision-making and responsible stewardship of resources.

In line with PAGD guidance, we have included at the end of this chapter a summary of the information shared with Ofgem through the Cost Monitoring Framework (CMF) for the first six months of the NESO1 period.



Executive Summary

Value for Money

- Value for Money is demonstrated through both the outcomes delivered by NESO and the efficient use of the resources entrusted to it.
- The case studies included within this report show how NESO has improved operational performance, strengthened decision-making, delivered strategic change and invested in capabilities that create long-term value.
- Value for Money is not solely measured through cost reduction. In several areas, additional expenditure has been incurred where this supports strategic reform, resilience, organisational separation or the delivery of statutory responsibilities.
- Significant investment decisions continue to be subject to established governance, assurance and sanctioning processes to ensure expenditure remains proportionate and benefits focused.
- NESO continues to deliver the efficiency commitments embedded within its Business Plan, with forecast efficiencies of £49m across the NESO1 period delivered through investment portfolio optimisation, procurement savings, management of workforce requirements, and continuous improvement initiatives.

Expenditure Against the NESO1 Plan

- **Against the original scope of the NESO1 Business Plan, NESO is forecasting a £2m overspend.** This reflects £51m of gross cost pressures, largely offset by £49m of efficiencies. A further £69m spend comprises costs outside the scope of the original plan and expenditure brought forward from FY26. Together, this results in forecast expenditure of £1,582m, £71m above the £1,511m NESO1 Business Plan baseline.

Cost Variance Bridge	£m
Connections Reform and enduring capability build	16
Other net cost pressures	35
Gross Cost Pressures	51
Efficiencies: Enterprise investment portfolio efficiencies	-20
Efficiencies: Workforce requirements, procurement and operational efficiencies	-29
Total Efficiencies	-49
Sub Total	2
Out of Scope of Original Plan: Contingency Control Centre	54
Out of Scope of Original Plan: Regulatory Investment	7
Timing: Day 2 expenditure brought forward from FY26	8
Total	71



The variances are outlined below, with further detail throughout this chapter:

- **Connections Reform:** £16m overspend associated with Connections Reform as the programme transitioned from design into implementation.
- **Other net cost pressures:** £35m of net cost pressures across the wider organisation, reflecting changes in delivery requirements, evolving programme costs and the refinement of investment requirements as delivery plans have matured.
- **Efficiencies:** Cost pressures have been partially offset through £49m of efficiencies, including £20m delivered through optimisation of the enterprise investment portfolio, and £29m through management of workforce requirements, procurement savings and other efficiency initiatives.
- **Contingency Control Centre:** This investment (£54m) supports the long-term resilience of Great Britain's energy system but was excluded from the original NESO1 Business Plan because the needs case, strategic rationale and associated costs were still under development when the plan was prepared. The programme has subsequently progressed through Board governance and ongoing engagement with Ofgem. For security reasons, we are not providing detailed information in this report.
- **Regulatory Investment:** £7m of expenditure on regulatory-driven change was explicitly excluded from our NESO1 plan because uncertainty prevented a meaningful cost forecast.
- **Day 2 expenditure:** £8m of Day 2 expenditure was brought forward from FY26 while remaining within the approved programme budget

Overall Assessment

NESO continues to deliver its statutory responsibilities and strategic objectives while actively managing expenditure against the approved NESO1 baseline.

Where expenditure is above plan, this is generally associated with approved resilience investments, delivery of major reform programmes and the establishment of NESO's independent operating model. Where expenditure is below plan, this has generally been achieved through portfolio optimisation, recruitment timing, procurement efficiencies and the refinement of delivery plans while maintaining delivery of intended outcomes.

The report demonstrates that NESO has actively managed emerging cost pressures through governance, prioritisation and efficiency measures, ensuring resources continue to be directed towards activities that deliver the greatest value for consumers, customers and stakeholders.



VFM Cross-Cutting Case Studies

Purpose of this section

The following case studies provide illustrative examples of how NESO has applied resources, managed expenditure and delivered outcomes across a selection of significant activities during the reporting period.

The case studies complement the expenditure and variance reporting set out elsewhere in this chapter by providing additional context on how value for money considerations have informed the delivery of activities, investments and organisational capabilities. They also provide evidence of the outcomes, benefits and delivery considerations associated with selected areas of NESO's work.

The case studies are intended to support understanding of value for money in practice and should be considered alongside the broader financial and performance information presented throughout this report.

The case studies are illustrative rather than exhaustive and have been selected to provide additional insight into areas of material activity, investment or organisational change during the reporting period.

Theme 1: Strategic investment and adaptive delivery

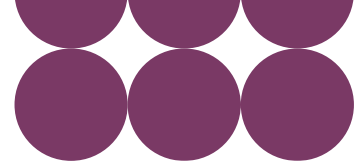
The case studies in this section examine how NESO has adapted investments, delivery approaches and organisational capabilities in response to changing requirements, emerging evidence and operational experience. They illustrate how expenditure and resources have been managed as programmes have progressed from planning into delivery, and how investment decisions have been reviewed as circumstances have evolved.

Case 1: Developing an Enduring Connections Capability

The value-for-money consideration in this case was not whether NESO could minimise resource requirements, but whether it could sustain the benefits of Connections Reform through an operating model that remained proportionate to future demand. Rather than defaulting to additional permanent resource, NESO evaluated alternative approaches and selected a hybrid model that balanced cost, flexibility, resilience and delivery risk while retaining the ability to adapt as future requirements become clearer.

Connections Reform was established to address weaknesses in the electricity connections queue, including significant volumes of speculative capacity that created barriers for viable projects and reduced confidence in the queue as a basis for network and investment decisions. NESO initially prioritised rapid implementation of queue reform and gate-based progression arrangements in response to policy and regulatory requirements.

As implementation progressed, delivery experience and assurance activity identified that the capability required to establish the reforms differed from that needed to operate the



new connections framework over the longer term. Pressures emerged across technical assessment, milestone management, data quality, governance, organisational resilience and stakeholder engagement. Maintaining the existing programme structure therefore presented risks to the sustainable operation of the service.

NESO reviewed the scale, structure and composition of the enduring capability rather than seeking simply to expand the existing model. The review considered different options including maintaining current arrangements, reprioritising existing resources, expanding the permanent workforce, adopting a hybrid delivery model and pursuing wider transformation. Each option was assessed against the need to maintain service continuity, preserve organisational knowledge, respond flexibly to uncertain future workloads and manage longer-term cost exposure.

Maintaining existing arrangements would have retained operational and resilience risks. Internal reprioritisation would have transferred capacity constraints to other organisational priorities. A predominantly permanent workforce model would have strengthened accountability and organisational knowledge but risked committing to a fixed level of capacity before future application volumes, processes and technology requirements were sufficiently clear.

NESO therefore developed a hybrid operating model combining enduring internal capability with targeted specialist support, managed services and enabling technology. The model differentiates between capabilities that should be retained internally, temporary requirements that may justify specialist support, and activities that may be suitable for managed-service arrangements. The proposal was reviewed through NESO's assurance, sanctioning and executive governance processes.

The preferred approach was judged to provide the best available balance between resilience, flexibility, accountability and affordability. It avoids committing prematurely to a fully permanent resource model while strengthening the capabilities required to operate the reformed connections service. It also retains the ability to adjust capacity and delivery arrangements as operational evidence and future demand become clearer.

The principal value-for-money evidence at this stage is therefore the way delivery experience was used to challenge the original operating assumptions, consider alternative approaches and develop a more proportionate enduring model. The resulting changes are expected to support more consistent queue management, decision-making and customer experience while protecting the intended benefits of Connections Reform. These benefits will need to be tested as the model is implemented.

Future procurement and implementation activity will provide further evidence on costs, supplier capability and the effectiveness of the chosen delivery model. NESO will continue to review the assumptions underpinning the approach as demand, application volumes and system requirements evolve.



Case 2: Managing Emerging System Risks Through Proportionate Discovery and Intervention

An emerging risk was identified, but rather than committing immediately to a large solution, NESO funded discovery, tested options, implemented interim controls and delayed material investment until the evidence base was stronger.

As Great Britain's electricity system continues to evolve, NESO must respond not only to known operational challenges but also to emerging risks created by changing generation, demand and market behaviours.

During routine operational analysis and forecasting activity, NESO identified evidence of increasing divergence between forecast and actual power requirements. Initial analysis suggested that growing levels of renewable generation, flexible demand, storage technologies and non-Balancing Mechanism assets were reducing the effectiveness of existing visibility and forecasting approaches. Left unaddressed, these trends had the potential to create increasing operational challenges for system management and frequency control.

Rather than proceeding directly to implementation of a predefined solution, NESO adopted a staged discovery-led approach. A cross-functional team was established to investigate the issue, validate the initial diagnosis and assess the scale of the risk. Internal expertise was supplemented by specialist external support, while the emerging evidence was reviewed through operational, portfolio and executive governance processes.

The analysis identified multiple contributing factors and confirmed that the issue could not be addressed through a single intervention. As understanding developed, the response was separated into two related areas: activity focused on improving operational visibility and understanding of changing system behaviours, and activity focused on establishing the governance, measurement and management arrangements necessary to manage the risk over the longer term.

A range of potential responses were considered, including continuing with existing containment activities, targeted improvements to system visibility and broader strategic interventions. The preferred approach was to limit initial expenditure to a discovery phase, allowing the underlying problem, options, costs and expected benefits to be understood before committing to full implementation.

Alongside this work, operational teams implemented a number of interim actions within existing authorities and controls to mitigate risk where possible. This enabled NESO to respond proportionately while further evidence was gathered.

The value-for-money consideration in this case was not the delivery of immediate operational benefits, but the decision to avoid committing material expenditure before the nature and scale of the problem were sufficiently understood. NESO identified an emerging risk, assessed whether existing programmes could address it, considered alternative approaches, implemented interim mitigations and restricted initial investment to discovery activity pending development of a more robust business case.



Future funding decisions will be subject to further assurance and sanctioning processes supported by a stronger evidence base, clearer requirements and a more complete assessment of options, costs and benefits. At this stage, the primary evidence of value for money is the proportionate and evidence-led approach taken to understanding and managing an emerging system risk before committing to larger-scale investment.

Theme 2: Workforce and Resource Management

The case studies in this section provide examples of how NESO has managed workforce requirements in response to changing delivery priorities, policy developments and external dependencies. They illustrate the approaches taken to recruitment, resource deployment and capability management to support delivery while maintaining flexibility and value for money.

Case 3: Adapting Resource Deployment in Response to Market Reform Uncertainty

Market Reform faced policy uncertainty. Rather than recruiting ahead of demand or reducing capability and then rebuilding it later, NESO retained a core capability and redeployed resources towards areas with the highest delivery certainty.

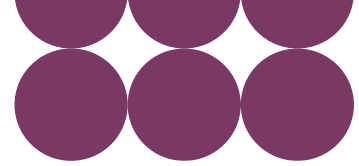
The Market Reform function has operated throughout the reporting period in an environment of evolving policy requirements and uncertain delivery timelines. When the NESO1 resource baseline was established, assumptions were based on the best available understanding of future policy decisions, implementation requirements and delivery milestones. As programmes developed, some policy decisions progressed more slowly than anticipated, while others were reshaped or reprioritised.

Rather than significantly increasing, reducing or restructuring the team in response to these changes, NESO retained its core capability and adopted a flexible resource deployment approach. This enabled specialist resources to be redirected towards activities with greater delivery certainty and clearer opportunities to progress reform objectives, including Balancing Reform, implementation activity and Dispatch Reform.

Resource deployment was reviewed through established governance processes and informed by engagement with key stakeholders, including DESNZ and Ofgem. This helped ensure that available capability remained focused on activities most likely to support policy development and future implementation requirements.

A key consideration was how to manage uncertainty without creating unnecessary cost. Rather than recruiting ahead of confirmed requirements or committing to longer-term resource growth based on uncertain assumptions, NESO prioritised flexibility by redeploying existing capability and making use of available underspends where appropriate. This approach allowed delivery capability to be maintained while preserving the ability to respond to future policy decisions as they emerge.

NESO also sought to retain specialist capability and organisational knowledge during this period of uncertainty. Maintaining a stable core team reduced the risk of losing expertise that would be difficult and costly to replace once policy direction becomes clearer and programmes move into future delivery phases.



The principal value-for-money evidence in this case is therefore not the delivery of specific market reform outcomes, many of which remain subject to future policy decisions. Instead, it is the way resources have been managed under uncertainty. By avoiding premature recruitment, redeploying existing capability, retaining critical expertise and focusing effort on areas with the greatest delivery certainty, NESO has sought to balance affordability, flexibility and delivery readiness while maintaining the capability required to support future reform implementation.

Theme 3: Procurement and Commercial Management

NESO uses procurement and commercial arrangements to access the goods, services and specialist capabilities required to deliver its responsibilities. The case study in this section illustrates how procurement decisions have been managed and how commercial processes have been used to support value for money during the reporting period.

Case 4: Improving Visibility of Value Through Procurement Value Tracking

As NESO has established its standalone procurement capability, it has sought to strengthen how value generated through procurement and commercial activity is identified, measured and reported.

During the reporting period, NESO introduced a Procurement Value Procedure to provide a consistent approach for identifying, assessing, approving and tracking value arising from procurement activity. The procedure applies throughout the procurement lifecycle, from initial requirement definition and market engagement through to contract award, supplier management and benefits tracking.

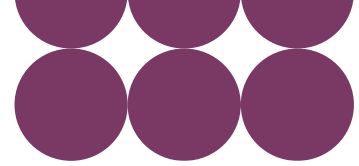
The framework is supported by central oversight from the Procurement Centre of Excellence, which maintains the methodology, reviews reported benefits and provides challenge to ensure that value claims are evidence-based and supported by appropriate documentation.

The value-for-money consideration in this case relates to improving the quality and consistency of procurement decision-making. Rather than assessing success solely through contract savings, the framework enables procurement teams to consider a broader range of value drivers including cost, capability, risk reduction, service quality and wider organisational benefits. It also provides greater transparency and traceability over how procurement value is identified, measured and reported.

The framework has been applied across a range of sourcing and commercial activities during the reporting period and will provide a more consistent basis for evidencing procurement value as NESO's procurement maturity continues to develop.

Theme 4: Process and Technology

NESO continues to invest in digital tools, data and technology capabilities that support the delivery of its statutory duties and operational activities. These investments are intended to improve efficiency, strengthen decision-making and increase organisational capability.



The case study in this section provides an example of how technology investment is being used to create reusable organisational capabilities and support the delivery of outcomes across multiple areas of NESO.

Case 5: Turning geospatial investment into organisational capability through a shared location intelligence platform

The value-for-money consideration in this case was whether geospatial capability should be developed separately across multiple programmes or delivered through a shared enterprise platform. NESO invested in a single organisational capability that is now being adopted across planning, connections and network development activities, reducing duplication while creating a reusable foundation for future analysis and decision-making.

Many of NESO's planning, network development and operational activities require an understanding of how infrastructure, environmental constraints, future demand and energy assets interact geographically. Historically, these needs were often met through separate tools, datasets and visualisation approaches, creating duplication and limiting the ability to share insights across the organisation.

During the reporting period, National Energy Location Intelligence (NELI) moved from capability development into active organisational use. The platform is now being utilised across a range of NESO activities including Strategic Spatial Energy Planning (SSEP), Regional Energy Strategic Planning (RESP), the Centralised Strategic Network Plan (CSNP), Connections, Future Energy Scenarios (FES) and wider network planning activities. This has enabled multiple programmes to access a common source of geospatial capability rather than developing separate tools, datasets and visualisation approaches for individual use cases.

The value-for-money consideration in this case was whether geospatial capability should be established independently across multiple programmes or delivered through a shared enterprise platform. NESO adopted the latter approach, creating a reusable organisational capability that supports multiple business areas while reducing the need for duplicate development activity. By providing common tools, datasets and visualisation capabilities, NELI improves consistency of analysis and enables insights developed in one area of NESO to be applied more readily across others.

The strongest evidence currently relates to organisational adoption and capability creation. Over the reporting period, NELI has progressed from a proof-of-concept capability to an enterprise platform supporting planning, network development and operational decision-making activities. While the full operational and efficiency benefits will emerge over time, early evidence demonstrates that a single geospatial platform can support a growing range of use cases across NESO, providing a common foundation for future analysis, planning and stakeholder engagement activities.

The value-for-money benefit therefore derives not solely from the technology itself, but from establishing a shared organisational capability that can be reused across multiple activities, reducing duplication, improving consistency and increasing the value generated from a single investment.



Theme 5: Stakeholder and system value

Much of NESO's value is realised not through its internal activities alone, but through the benefits experienced by customers, market participants, network companies, investors, government and the wider energy system. Many of NESO's responsibilities involve creating conditions that enable others to make better decisions, invest more effectively or operate more efficiently.

The case studies in this section explore how stakeholder value is created, who benefits from NESO's activities and what evidence exists regarding the significance of those benefits.

Case 6: Creating value through sector-wide data sharing and collaboration

The value-for-money consideration in this case was whether data-sharing challenges should be addressed through multiple organisation-specific solutions or through a shared industry capability. NESO invested in common digital infrastructure that is now being adopted by network companies and regulators, with the aim of reducing duplication, improving collaboration and creating a reusable foundation for future sector digitalisation.

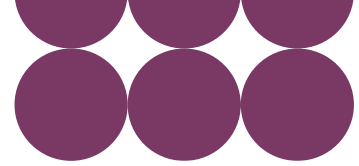
The energy sector increasingly relies on timely, trusted and accessible data to support planning, investment and operational decision-making. However, data is often held across multiple organisations and systems, creating inefficiencies, duplication and barriers to collaboration. The Data Sharing Infrastructure (DSI) has been developed to address this challenge by providing a common approach to discovering, accessing and sharing data across the sector.

A significant milestone was achieved during the reporting period with the launch of the DSI Minimum Viable Product (MVP), supported by participation from 14 network companies, Ofgem and other sector stakeholders. This represented an important transition from concept development to practical implementation and provided early evidence of industry confidence in a shared approach to data exchange.

The DSI has been developed through extensive stakeholder engagement to ensure the needs of network companies, regulators and wider industry participants are reflected in the design of the platform. This collaborative approach has helped establish a shared understanding of data requirements and the role that common digital infrastructure can play in supporting a more connected energy system.

The value-for-money consideration in this case was whether data-sharing challenges should continue to be addressed through multiple organisation-specific solutions or through a common enabling capability that could be used across the sector. NESO has pursued the latter approach, investing in shared infrastructure intended to reduce duplication, improve interoperability and create a foundation for future digital services.

The benefits of DSI are expected to be realised primarily at a sector level rather than within NESO alone. Improved access to trusted data has the potential to reduce duplicated effort, improve coordination between organisations and support faster and better-



informed decision-making across the energy system. In addition, the platform provides a foundation upon which future digital products and services can be developed.

At this stage, the strongest evidence relates to stakeholder participation, adoption and engagement rather than realised operational benefits. The successful launch of the MVP and participation from major sector organisations demonstrate growing confidence in a common approach to data sharing and provide early evidence of demand for shared digital infrastructure. The longer-term measure of value will be the extent to which participation grows, data sharing becomes more efficient, and the platform contributes to improved planning, operational and investment decisions across the wider energy sector.

Case 7: Informing policy and regulatory decision-making through advisory support

The value-for-money consideration in this case was how to manage growing demand for Government and regulatory support without compromising delivery of NESO's core responsibilities. Rather than expanding capability in response to every request, NESO is strengthening prioritisation and governance arrangements to ensure specialist resources are directed towards the areas of greatest strategic value and system benefit.

NESO creates value not only through delivery of programmes, but through the advice, analysis and expertise it provides to Government and Ofgem. The VfM challenge is ensuring that this growing demand is managed in a way that does not undermine delivery of NESO's core responsibilities.

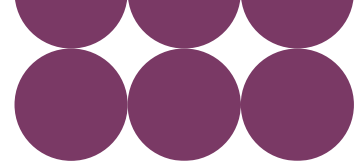
NESO provides advice, analysis and technical expertise to Government, Ofgem and other public bodies on issues affecting the future energy system. This advisory role supports policy development, regulatory decision-making and wider energy system planning by drawing on NESO's operational insight, modelling capability and whole-system expertise.

Demand for this support continued to increase during the reporting period, with a series of formal Section 171 and non-Section 171 requests received by September 2026, alongside a wider range of informal requests and follow-on activities. These requests covered a broad range of topics including network and system planning, energy markets and flexibility, and wider energy policy development.

The value created through this activity extends beyond NESO itself. Advice and analysis provided to Government and regulators can influence policy, regulatory frameworks and investment decisions that have significant implications for consumers, network companies and the wider energy system. This means the benefits of the activity are often realised through improved decision-making by others rather than through direct operational outputs.

As demand has increased, NESO has also identified an important value-for-money consideration. Many requests require specialist analytical, modelling and technical capability that is also needed to deliver NESO's statutory duties, licence obligations and Business Plan commitments. Requests can evolve in scope, generate follow-on work and create additional pressures on constrained specialist resources.

Rather than treating all requests equally, NESO has begun strengthening the governance and prioritisation of advisory activity to ensure resources are directed towards the areas



of greatest strategic value. This includes the development of a more structured triage process, increased scrutiny of new requests and greater visibility of the trade-offs associated with committing resources to external support activities.

The value-for-money consideration in this case is not whether advisory support should be provided, but how it should be prioritised. By strengthening governance and demand management arrangements, NESO is seeking to ensure that advisory resources continue to support Government and regulatory decision-making while maintaining focus on the delivery of its wider responsibilities and Performance Outcomes.



Expenditure and Forecast Variances Against the Approved Business Plan

Introduction

This section provides information on expenditure and forecast expenditure against the approved NESO1 Business Plan. In accordance with the requirements of the NESO Licence and the Performance Arrangements Governance Document (PAGD), it explains material variances from the approved baseline and the factors driving those changes.

Variances arise for a range of reasons, including changes in delivery requirements, the timing of external decisions, evolving policy and regulatory expectations, delivery experience and the refinement of investment requirements as programmes mature. The explanations set out below provide transparency over how resources have been deployed during the reporting period and how expenditure continues to support delivery of NESO's statutory duties, Performance Outcomes and Business Plan commitments.

The analysis is presented by Role and distinguishes between operating expenditure and investment expenditure to support understanding of the nature, scale and drivers of material variances.

Energy Markets

Overall

Despite material changes in policy timing, increased code governance activity and additional advisory support requirements, Energy Markets is forecast to deliver within £1m of its original NESO1 baseline through reprofiling and redeployment of resources.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
Operating Cost	29	27	2	26	25	1	56	52	4
Investment	14	17	(3)	14	14	0	28	31	(3)
Total	43	44	(1)	41	39	1	84	83	1

Operating Cost

Forecast operating expenditure for Energy Markets is £4m above the NESO1 baseline across FY27-FY28.

The principal change from the original plan relates to the timing of policy decisions associated with Reformed National Pricing (RNP). Government policy decisions have taken longer than anticipated, resulting in a slower pace of activity during FY27 and a corresponding reprofiling of work into FY28. This has reduced expenditure associated with RNP in the short term while preserving delivery capability for future policy implementation.

The reduction in RNP activity has enabled resources to be redeployed to support a range of additional priorities that were not anticipated when NESO1 was developed. These



include exploratory work supporting consideration of potential re-entry into the European Internal Energy Market, increased market design and policy advisory support, delivery of urgent industry code modifications and preparation for Energy Code Reform.

Demand for Code Administration activities has also increased significantly during the period, driven by industry reform programmes and Connections Reform. During Q2, the team progressed four urgent CUSC modifications alongside its broader programme of code change activity.

The overall variance therefore reflects a change in the composition of activity rather than a material expansion in underlying capability. Delays in some planned policy activities have been partially offset by emerging regulatory, advisory and code governance requirements. Energy Markets has sought to manage these additional demands through reprioritisation and redeployment of existing resources wherever possible before considering additional expenditure.

Investment

ID	Investment	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
		F/cast	NESOI	Var.	F/cast	NESOI	Var.	F/cast	NESOI	Var.
NESOI-330	Regulations	3	0	3	0	0	0	3	0	3
NESOI-340	Market Access & Procurement	10	15	(5)	12	12	0	22	27	(5)
NESOI-350	Flexibility Enablement	1	2	(1)	2	2	0	3	4	(1)
Total		14	17	(3)	14	14	0	28	31	(3)

Forecast investment expenditure for Energy Markets is £28m across FY27–FY28, £3m below the NESOI baseline of £31m.

The overall variance reflects a combination of changes in delivery timing, investment classification and emerging regulatory requirements.

Investment in Market Access & Procurement is forecast to be £5m below the original NESOI baseline. Current forecasts indicate that some expenditure initially expected to be delivered through investment activity is now being incurred as operating expenditure associated with maintaining and enhancing mature market systems and services.

These reductions are partially offset by £3m of forecast expenditure relating to regulatory change activity. This investment was not included within the original NESOI baseline because the scope, timing and requirements of future regulatory changes were uncertain at the time the plan was developed. As requirements have become clearer, forecast investment has been incorporated into delivery plans.

Overall, the variance primarily reflects updated delivery requirements and improved understanding of investment needs rather than a reduction in intended outcomes.



Strategic Energy Planning (SEP)

Overall

Despite establishing new national and regional planning capabilities, progressing SSEP, RESP and CSNP, and operating in an environment heavily influenced by external policy and regulatory decisions, Strategic Energy Planning is forecast to deliver its core outcomes at £9m below the approved NESO1 baseline through a more measured build-up of capability and the careful sequencing of investment and recruitment activity.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
Operating Cost	57	62	(6)	63	64	(1)	120	127	(7)
Investment	11	13	(2)	14	14	0	24	27	(2)
Total	68	75	(8)	77	78	(1)	144	153	(9)

Operating Costs

Forecast operating expenditure for Strategic Energy Planning is £7m below the NESO1 baseline across FY27–FY28.

The principal driver of the variance is the timing of capability growth associated with Regional Energy Strategic Planning (RESP). The NESO1 plan assumed rapid expansion of regional capability to support new planning functions. Recruitment has progressed more gradually than anticipated as NESO has sought to build capability in a controlled manner within a specialist labour market and align recruitment to evolving delivery requirements.

The lower expenditure does not reflect a reduction in intended outcomes. During the period NESO has continued delivery of key planning activities, including submission of the Strategic Spatial Energy Plan (SSEP) Pathway Options Report and continued development of RESP and the Centralised Strategic Network Plan (CSNP).

The value-for-money consideration has been to balance the pace of capability growth with the requirement to secure appropriately skilled resources and maintain delivery performance. This approach has resulted in lower expenditure than originally forecast while maintaining progress against the Planning a Clean Energy Future Performance Objective.

Investment

ID	Investment	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
		F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
NESO1-250	Strategic Energy Planning	11	13	(2)	14	14	0	24	27	(2)
Total		11	13	(2)	14	14	0	24	27	(2)

Forecast investment expenditure for Strategic Energy Planning is £24m across FY27–FY28, £2m below the NESO1 baseline of £27m.

The variance primarily reflects the timing and sequencing of technology development activities across the Strategic Energy Planning portfolio. Delivery remains influenced by



external decisions and dependencies, including Government and regulatory inputs, which have affected the timing of some planned investment activity.

The reduction does not reflect a change in intended outcomes. Investment requirements continue to be reviewed and phased to ensure expenditure remains aligned to delivery priorities while supporting development of the capabilities required for SSEP, RESP and CSNP.

Energy Insights

Overall

Despite increasing demand for forecasting, scenario analysis, strategic planning support and statutory advisory work, Energy Insights is forecast to deliver within its original NESO1 baseline through the flexible deployment of analytical and modelling capability across multiple activities, including FES, SSEP, RESP and wider whole-system analysis.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
Operating Cost	11	11	(0)	11	11	(0)	22	22	(0)
Investment	0	0	0	0	0	0	0	0	0
Total	11	11	(0)	11	11	(0)	22	22	(0)

Operating Costs

Forecast operating expenditure for Energy Insights remains in line with the approved NESO1 Business Plan across FY27 and FY28.

The role has maintained a stable cost base while continuing to deliver its core forecasting, scenario analysis and advisory responsibilities. During the reporting period, Energy Insights has continued to support Future Energy Scenarios, Strategic Spatial Energy Planning, Regional Energy Strategic Planning, wider whole-system analysis and NESO's statutory advisory activities.

The absence of a material variance reflects the continued alignment between planned and actual resourcing requirements for the role. As priorities have evolved, resources have been flexibly deployed across forecasting, modelling, planning and advisory activities while remaining within the expenditure assumptions established in the NESO1 Business Plan.

Security of Supply Modelling

Overall

Despite increasing requirements for electricity and gas security assessments, cross-vector resilience analysis and wider policy advice, Security of Supply Modelling is forecast to deliver its core statutory outputs at £2m below the original NESO1 baseline through the efficient deployment of specialist modelling capability across multiple security and resilience activities.



Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESOI	Var.	F/cast	NESOI	Var.	F/cast	NESOI	Var.
Operating Cost	4	4	(1)	4	6	(1)	8	10	(2)
Total	4	4	(1)	4	6	(1)	8	10	(2)

Operating Costs

Forecast operating expenditure for Security of Supply Modelling is £2m below the NESOI baseline across FY27–FY28.

Despite increasing requirements for electricity and gas security assessments, cross-vector resilience analysis and wider policy advice, Security of Supply Modelling is forecast to deliver its core statutory outputs below the original NESOI baseline through the efficient deployment of specialist modelling capability across multiple security and resilience activities.

During the reporting period, the team delivered key outputs including the Electricity Capacity Report 2026, the Early View Winter Outlook and the Gas Security of Supply Assessment. These assessments have provided Government, Ofgem and industry stakeholders with evidence on both near-term and longer-term security of supply risks across electricity and gas systems.

The role continues to support NESO's statutory resource adequacy responsibilities while applying a common modelling capability across electricity adequacy, gas security, resilience analysis and wider policy advice. This approach enables specialist expertise to be shared across multiple requirements rather than replicated across separate teams.

The forecast underspend primarily reflects lower resource costs than originally assumed within the NESOI plan and does not represent a reduction in the scope of core statutory outputs or responsibilities. Overall, Security of Supply Modelling is forecast to deliver its planned outcomes while operating below the approved NESOI baseline.

Whole Energy System Resilience

Overall

Despite increasing demand for resilience analysis, preparedness activities and cross-sector coordination, Energy System Resilience is forecast to deliver its core NESOI outcomes broadly in line with its original expenditure baseline through the flexible deployment of specialist capability and targeted investment in restoration and resilience capabilities.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESOI	Var.	F/cast	NESOI	Var.	F/cast	NESOI	Var.
Operating Cost	11	11	(0)	13	12	1	24	23	1
Investment	6	5	1	5	5	0	11	10	1
Total	17	17	1	17	17	1	34	33	1



Operating Cost

Forecast operating expenditure for Energy System Resilience is broadly in line with the approved NESO1 Business Plan, with expenditure forecast to be £1m above the original baseline across FY27–FY28.

Despite increasing demand for resilience analysis, preparedness activities and cross-sector coordination, Energy System Resilience is forecast to deliver close to its original cost baseline through the flexible deployment of specialist capability across multiple resilience and risk activities.

During the reporting period, the team delivered key outputs including the Energy Resilience Assessment, resilience assurance activities and wider advice supporting Government, Ofgem and industry preparedness. The role has also supported additional activities including major incident reviews, extreme weather preparedness, cyber resilience exercises and wider cross-sector resilience initiatives.

As the energy system becomes increasingly interconnected, demand for resilience expertise continues to evolve. Additional activity arising from geopolitical developments, cyber-security risks and growing interdependencies between energy vectors has been accommodated largely through reprioritisation and flexible deployment of resources while maintaining delivery of core resilience activities.

Overall, the role remains broadly aligned with the expenditure assumptions established in NESO1, while continuing to support an expanding range of resilience and preparedness requirements.

Investment

ID	Investment	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
		F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
NESO1-360	Restoration	3	2	1	1	1	0	5	4	1
NESO1-370	Resilience & Risk	3	3	(0)	3	3	0	6	6	(0)
Total		6	5	1	5	5	0	11	10	1

Forecast investment expenditure for Energy System Resilience is £11m across FY27–FY28, £1m above the NESO1 baseline of £10m.

The variance is primarily driven by additional investment in Restoration capabilities, reflecting evolving requirements to strengthen resilience and preparedness arrangements. Investment in Resilience & Risk remains broadly aligned with the original NESO1 plan.

Overall, investment remains close to the approved baseline and continues to support the development of capabilities required to identify, assess and manage resilience risks across the energy system.



System Operations

Overall

Despite increasing operational complexity and the demands associated with major industry reform, System Operations is forecast to deliver its core NESO1 outcomes broadly in line with the original expenditure baseline. Total expenditure is forecast at £251m across FY27-FY28, £5m above the £246m NESO1 baseline, reflecting targeted increases in operating and investment expenditure to support reform and the continued development of operational capability.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
Operating Cost	60	56	4	53	55	(2)	112	111	1
Investment	68	64	4	71	71	0	139	135	4
Total	128	120	8	123	126	(2)	251	246	5

Operating Cost

Forecast operating expenditure for System Operations is £1m above the NESO1 baseline across FY27-FY28.

The role continues to balance Great Britain's electricity system through real-time operations and short-term planning while supporting implementation of major industry reforms. System Access Reform has required significant operational input alongside wider change programmes, while maintaining the safe and reliable operation of the electricity system.

Alongside this, activity has continued to focus on improving forecasting, operational data and dispatch accuracy to support more effective use of generation and network resources. These capabilities are intended to improve operational efficiency as the electricity system becomes increasingly dynamic and complex.

Overall, the forecast operating cost remains close to the original NESO1 baseline. The additional expenditure reflects targeted activity to support operational change and maintain the capabilities required to operate the electricity system while delivering major reform.

Investment

ID	Investment	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
		F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
NESO1-390	Interconnectors	2	1	1	1	1	0	3	2	1
NESO1-400	Open Balancing Programme	37	32	5	33	33	0	71	65	5
NESO1-420	Balancing Innovation Delivery	0	5	(5)	5	5	0	5	10	(5)
NESO1-430	Forecasting & Predictions	7	9	(1)	8	8	0	16	17	(1)



ID	Investment	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
		F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
NESO1-440	System Access	7	9	(2)	12	12	0	18	21	(2)
NESO1-450	ENCC Operations Enablement	8	4	3	3	3	0	11	8	3
NESO1-460	Network Topology Optimisation	0	1	(0)	3	3	0	3	4	(0)
NESO1-470	Situational Awareness Tools	3	1	2	2	2	0	5	3	2
NESO1-480	Dispatch Transparency	1	0	1	2	2	0	3	3	1
NESO1-490	Digital Trials Platform	3	2	1	2	2	0	5	4	1
Total		68	64	4	71	71	0	139	135	4

Forecast investment in System Operations technology across NESO1 is £139m, £4m above the original NESO1 plan of £135m.

The overall position remains broadly in line with the original plan despite movements between individual investments, with the principal changes relating to Open Balancing Programme and Balancing Innovation Delivery. These movements reflect a portfolio in which capabilities and associated expenditure continue to develop across connected investments as delivery progresses.

Network Operability & Connections

Overall

As Connections Reform moved from policy design into implementation, Network Operability & Connections has transitioned from planning activity to establishing the enduring operational capability, governance, processes and systems required to operate a fundamentally different connections framework. While total expenditure is forecast to be £16m above the original NESO1 baseline, this reflects the scale of implementation activity required to deliver reform of the connections process, partially offset by lower technology investment and changes in the balance between operational and investment expenditure.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
Operating Cost	46	36	11	46	35	10	92	71	21
Investment	11	16	(5)	13	13	0	24	29	(5)
Total	57	52	5	58	48	10	115	100	16



Operating Cost

Forecast operating expenditure for Network Operability & Connections is £21m above the NESO1 baseline across FY27–FY28.

When the NESO1 plan was developed, the scope, timing and delivery approach associated with Connections Reform remained uncertain. As policy decisions, regulatory requirements and implementation plans have developed, the scale of operational activity required to deliver reform has become clearer.

The role is now focused on implementing and operating a fundamentally revised connections process, including the establishment of enduring governance arrangements, assessment capabilities, stakeholder engagement functions, operational processes and supporting services. This represents a transition from reform design and policy development into implementation and operation of the enduring framework.

Alongside delivery of Connections Reform, the role continues to manage increasing application volumes, stakeholder engagement requirements and growing network operability challenges associated with the transition to a more decarbonised electricity system.

The increase in operating expenditure therefore reflects the establishment of enduring operational capability required to implement reform rather than a change in the strategic objectives of the programme. Expenditure continues to be subject to assurance, sanctioning and governance processes designed to ensure resources remain proportionate to delivery requirements and focused on achieving the intended benefits of Connections Reform.

Investments

ID	Investment	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
		F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
NESO1-230	Connections Enduring Capabilities Ecosystem	9	14	(4)	11	11	0	20	25	(4)
NESO1-240	Clean Power 2030 Enablement	2	3	(1)	2	2	0	3	4	(1)
Total		11	16	(5)	13	13	0	24	29	(5)

Forecast investment expenditure for Network Operability & Connections is £24m across FY27–FY28, £5m below the NESO1 baseline of £29m.

The reduction is primarily associated with the Connections Enduring Capabilities Ecosystem programme and reflects the evolving design of the enduring operating model. As implementation planning has matured, a greater proportion of expenditure is now forecast to be incurred as operational expenditure rather than technology investment, including costs associated with operating, maintaining and supporting the enduring capability. As a result, the investment variance should be considered alongside the corresponding increase in operating expenditure. The overall funding profile increasingly reflects the requirements of an operational service rather than a standalone technology implementation programme.



Investment continues to support the technology, systems and digital capabilities required to implement and operate Connections Reform and Clean Power 2030 activities.

Facilitating Sector Digitalisation

Overall

As the Data Sharing Infrastructure (DSI) programme progressed from concept development into delivery, Facilitating Sector Digitalisation required greater investment than originally assumed in NESO1. While expenditure is forecast to be £7m above the original baseline, this reflects the maturation of delivery plans, increased certainty regarding implementation requirements and the continued development of shared digital infrastructure intended to support sector-wide data sharing and interoperability.

The original plan was prepared when the programme was immature. As the programme moved into delivery, we gained better information about what it would actually cost to build and implement sector-wide digital infrastructure.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
Operating Cost	1	0	1	0	0	0	1	0	1
Investment	15	9	6	22	22	0	37	31	6
Total	16	9	7	22	22	0	38	31	7

Operating Cost

Forecast operating expenditure for Facilitating Sector Digitalisation is £1m above the NESO1 baseline across FY27–FY28.

As the Data Sharing Infrastructure (DSI) programme has progressed from design into implementation, a small increase in operational expenditure has been required to support programme delivery, stakeholder engagement and coordination activities. The role continues to work with industry participants, Government and Ofgem to develop common approaches to data sharing, interoperability and digital coordination across the energy sector.

The additional expenditure reflects the evolution of delivery requirements as programme scope and implementation activities have become more clearly defined. Despite this increase, operating expenditure remains broadly aligned with the assumptions established in the original NESO1 Business Plan.

Investment

ID	Investment	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
		F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
NESO1-120	Data Sharing Infrastructure	15	9	6	22	22	0	37	31	6
Total		15	9	6	22	22	0	37	31	6

Forecast investment expenditure for Facilitating Sector Digitalisation is £37m across FY27–FY28, £6m above the NESO1 baseline of £31m.



The variance is concentrated within the Data Sharing Infrastructure programme and primarily reflects the increased maturity of delivery planning since the NESO1 Business Plan was developed. At the time the original plan was prepared, the programme was at an earlier stage of development and cost estimates were based on high-level assumptions. As delivery planning has progressed, these assumptions have been replaced by more detailed delivery forecasts and implementation plans.

The increase also reflects higher than originally forecast delivery costs associated with programme implementation, including supplier costs that continue to be reviewed through established governance and commercial processes.

The forecast expenditure supports delivery of a shared digital infrastructure intended to improve data sharing, interoperability and coordination across the energy sector. The programme reached an important milestone during the reporting period with the launch of the Data Sharing Infrastructure Minimum Viable Product, providing early evidence of adoption and industry participation.

Overall, the variance reflects increased certainty regarding delivery requirements rather than a change in the intended outcomes of the programme. Investment continues to support the development of common digital infrastructure designed to reduce duplication, improve information sharing and enable more effective decision-making across the wider energy system.

Role Delivery Support

Overall

Role Delivery Support is forecast to spend £36m less than the original NESO1 baseline. The variance primarily reflects lower than anticipated expenditure on programme management, operational leadership, modelling platforms and supporting delivery capabilities, together with the reprofiling of change activity as NESO's operating model and transformation priorities have matured. Despite the lower expenditure profile, the function has continued to provide programme delivery, data, innovation and customer support services across NESO's major strategic and operational priorities.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
Operating Cost	17	29	(12)	25	30	(4)	43	59	(16)
Investment	20	40	(20)	35	35	0	55	75	(20)
Total	37	69	(32)	60	65	(4)	97	133	(36)

Operating Cost

Forecast operating expenditure for Role Delivery Support is £16m below the NESO1 baseline across FY27-FY28.

The variance primarily reflects lower expenditure on programme management, operational leadership and supporting delivery capabilities than originally assumed within the NESO1 Business Plan. As NESO's operating model and portfolio of change activity



have matured, the scale, timing and deployment of some central support capabilities have been refined.

Role Delivery Support continues to provide programme delivery, change management, data, innovation and customer support services across NESO's major strategic and operational priorities. During the reporting period, resources have been focused on supporting delivery of key programmes while strengthening organisational delivery capability and customer engagement.

The lower expenditure therefore reflects a more gradual build-up of support capability and refinement of delivery requirements rather than a reduction in the function's core purpose. The role continues to support delivery across NESO while operating below the original NESO1 cost baseline.

Investment

ID	Investment	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
		F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
NESO1-100	Innovation Productionisation	1	5	(4)	5	5	0	6	10	(4)
NESO1-110	NESO AI Energy Core Delivery	14	12	1	12	12	0	26	25	1
NESO1-220	Network and System Modelling Capability Modernisation	2	1	1	0	0	0	2	1	1
NESO1-610	Modelling Platforms and Tooling	0	12	(12)	9	9	0	9	21	(12)
NESO1-620	Digital Engagement Platform	3	4	(0)	2	2	0	5	6	(0)
-	Data Remediation	0	3	(3)	3	3	0	3	6	(3)
-	Data Tools	0	3	(3)	3	3	0	3	6	(3)
Total		20	40	(20)	35	35	0	55	75	(20)

Forecast investment expenditure for Role Delivery Support is £20m below the NESO1 baseline across FY27-FY28.

The variance is primarily driven by lower than anticipated expenditure on Modelling Platforms and Tooling, together with reduced investment in Data Remediation and Data Tools. These programmes were included within the NESO1 Business Plan based on planning assumptions regarding the timing and scale of capability development. As delivery plans matured, requirements were refined and some activity was rephased, resulting in a lower investment requirement during the NESO1 period.

Despite lower expenditure, investment continues to support the data, tooling and enabling capabilities required to improve delivery, decision-making and organisational effectiveness across NESO. The variance therefore reflects the refinement and reprofiling of delivery plans rather than a reduction in the intended strategic purpose of the role.



Supporting Functions

Corporate Functions

Our corporate functions support NESO to achieve its strategic priorities through strong financial stewardship, developing talent and capability, acquiring and maintaining our properties and managing risk and reputation.

Overall

Despite supporting additional organisational requirements, including investigation activity and continued organisational growth, Corporate Functions is forecast to operate in line with the original NESO1 baseline through procurement efficiencies, lower than anticipated recruitment in some areas and active management of support function expenditure.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
Operating Cost	87	87	1	92	88	4	179	175	4
Investment	24	28	(4)	24	24	0	48	52	(4)
Total	111	115	(3)	115	112	4	227	226	0

Operating Cost

Forecast operating expenditure for Corporate Functions is £4m above the NESO1 baseline across FY27-FY28 with a combination of favourable and adverse variances across individual functions. Early Careers expenditure is below plan, reflecting a slower rate of recruitment than originally assumed within a competitive labour market.

These favourable variances have partially offset higher expenditure elsewhere in the portfolio associated with organisational growth and additional activities not anticipated when the original NESO1 plan was developed, including ongoing investigation activity. The incremental cost of these activities has been offset through savings and efficiencies elsewhere within Corporate Functions.

Overall, Corporate Functions continues to provide the governance, financial stewardship, people support, property management and organisational capability required to support delivery across NESO while operating broadly in line with the approved NESO1 cost baseline.

Investment

ID	Investment	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
		F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
NESO1-200	Digitalisation of Enabling Functions	3	4	(1)	4	4	0	7	8	(1)
NESO1-210	Digital Change for Legal, Risk, and Regulation	1	1	0	1	1	0	2	2	0



	NEW CFO Property Investment	20	23	(3)	19	19	0	39	42	(3)
Total		24	28	(4)	24	24	0	48	52	(4)

Forecast investment expenditure across Corporate Functions is £48m across FY27–FY28, £4m below the NESO1 baseline of £52m.

The variance is primarily driven by property investment, where expenditure at the Wokingham site has been reprofiled into FY28. This is partially offset by higher expenditure on the London office following activity deferred from FY26. As a result, the variance primarily reflects changes in the timing and phasing of investment activity rather than a reduction in the planned scope of the property programme.

Investment in enabling function digitalisation and legal, risk and regulatory capabilities remain broadly aligned with the original NESO1 plan.

Cyber & Physical Security

Overall

Despite accelerating the development of NESO's standalone cyber and physical security capabilities and responding to an increasingly complex threat landscape, Cyber & Physical Security is forecast to deliver broadly in line with the original NESO1 baseline. Expenditure remains focused on establishing enduring security capabilities, reducing security risk and maintaining the resilience expected of a critical national infrastructure organisation.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
Operating Cost	16	17	(1)	17	17	0	32	33	(1)
Investment	2	1	1	19	19	0	21	20	1
Total	17	18	(0)	36	36	0	53	54	(0)

Operating Cost

Forecast operating expenditure for Cyber & Physical Security is broadly aligned with the NESO1 baseline across FY27–FY28.

During the reporting period, NESO continued to strengthen its standalone cyber and physical security capabilities as responsibilities transitioned from legacy service arrangements and the organisation developed its independent operating model. Activity has focused on maintaining appropriate security controls, strengthening resilience capabilities and ensuring effective incident response arrangements.

The cyber and physical security environment continues to evolve, with increasing cyber threats, geopolitical uncertainty and growing dependence on digital systems reinforcing the importance of robust security arrangements. In response, the function has continued to mature its approach to security governance, assurance and risk management while maintaining expenditure broadly in line with the assumptions established in the NESO1 Business Plan.



Overall, Cyber & Physical Security continues to support the protection of NESO's people, systems, data and operations while operating broadly in line with its approved expenditure baseline.

Investment

ID	Investment	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
		F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
	Cyber & Physical Security	2	1	1	19	19	0	21	20	1

Forecast investment expenditure for Cyber & Physical Security is £21m across FY27–FY28, £1m above the NESO1 baseline of £20m.

Investment remains broadly aligned with the original plan, with the majority of activity delivered through the National Grid Transitional Services Agreement (TSA). The small variance reflects the timing and profile of security capability development as NESO continues to establish and mature its independent cyber and physical security operating model.

Investment continues to support the security capabilities, controls and infrastructure required to maintain resilience and manage risks associated with NESO's role as a critical national infrastructure organisation.

Digital & Technology Support

Overall

As NESO has transitioned from legacy National Grid service arrangements to its own standalone technology environment, Digital & Technology Support has experienced a material shift in the timing, nature and classification of expenditure. While operating costs are forecast to be higher than assumed in NESO1, this is partially offset by the recategorising of expenditure from the whole investment portfolio, reflecting a more complete understanding of the enduring technology cost base and the recognition of whole-life service costs within operating expenditure.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
Operating Cost	234	204	30	206	206	0	440	410	30
Portfolio Efficiency	(8)	(10)	2	(10)	(10)	0	(18)	(20)	2
Total	226	194	32	196	196	0	422	390	32

Operating Cost

Forecast operating expenditure for Digital & Technology Support is £30m above the NESO1 baseline across FY27–FY28.

The drivers include higher Managed Service Provider (MSP) and Enterprise IT costs as NESO continues its transition away from legacy National Grid service arrangements and establishes its standalone technology capability. As the transition has progressed, the



organisation has gained greater visibility of the enduring costs associated with operating critical technology services, supporting organisational growth and maintaining a resilient technology environment.

Part of the increase reflects changes in the timing and classification of expenditure rather than an equivalent increase in overall technology spend. As the standalone operating model has matured, a more complete understanding of whole-life service costs has resulted in expenditure that was originally assumed to be investment being recognised as operating expenditure. This has increased the operating cost forecast while reducing forecast investment expenditure.

Enterprise Portfolio Efficiency

Reflects efficiencies delivered across the NESO investment portfolio through reprioritisation, improved scope definition, procurement outcomes, delivery optimisation and investment reprofiling. The £2m variance has crystallised from shared projects with National Grid under the TSA that were not included within the original plan.



Transformation

Overall

Transformation investment is forecast to be £62m above the original NESO1 baseline. The variance is predominantly driven by the Contingency Control Centre programme, which was excluded from the NESO1 plan because the strategic case, scope and cost assumptions were not sufficiently developed at the time. The programme has subsequently progressed through Board governance and ongoing engagement with Ofgem. A further £8m variance relates to Day 2 activities, reflecting the timing of expenditure brought forward from FY26 while remaining within the overall Board-approved programme budget.

Category	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
	F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
Operating Cost	0	0	0	0	0	(0)	0	0	(0)
Investment	88	51	37	31	6	25	119	57	62
Total	88	51	37	31	6	25	119	57	62

Operating Cost

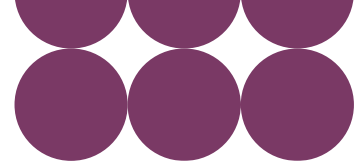
Transformation activities are primarily delivered through dedicated investment programmes and therefore have no material operating expenditure across FY27–FY28.

Investment

ID	Investment	FY27 (£m)			FY28 (£m)			FY27+FY28 (£m)		
		F/cast	NESO1	Var.	F/cast	NESO1	Var.	F/cast	NESO1	Var.
	Day 2	33	25	8	0	0	0	33	25	8
	Contingency Control Centre	33	4	29	25	0	25	58	4	54
	OSA Exit	22	22	0	6	6	0	28	28	0
	REMA	0	0	0	0	0	0	0	0	0
Total		88	51	37	31	6	25	119	57	62

Forecast investment expenditure across Transformation is £119m over the NESO1 period, £62m above the original NESO1 baseline of £57m.

The principal driver of the variance is the Contingency Control Centre programme, which accounts for £54m of the increase. The investment supports the long-term resilience of Great Britain's energy system and the continuity of critical operational activities. At the time the NESO1 Business Plan was prepared, the programme was still developing its strategic rationale, needs case and delivery requirements. As a result, the associated costs were excluded from the original baseline due to the high degree of uncertainty. Since then, the programme has progressed through established governance processes, received Board approval and has been subject to ongoing engagement with Ofgem. For security reasons, we are not providing detailed information on this programme in this report



A further £8m variance relates to the Day 2 programme. The increase does not reflect a corresponding increase in the overall approved programme budget but is primarily driven by expenditure being brought forward from FY26 into the NESO1 period. The programme remains within its overall Board-sanctioned funding envelope.

Investment in OSA Exit remains aligned with the original NESO1 plan, with forecast expenditure of £28m across the period.

Overall, the variance reflects the progression and approval of strategically important transformation programmes rather than a change in NESO's underlying transformation objectives. The investment supports the resilience, independence and long-term sustainability of NESO's operational and organisational capabilities.



Cost Tables

Role	Activity	NESO1 Forecast		NESO1 Plan		Variance	
		£m	FTE	£m	FTE	£m	FTE
Energy Markets	Code Administration & Market Frameworks	12	61	11	54	1	7
	Electricity Market Reform (EMR) Delivery Body	9	49	10	47	(0)	3
	Long Term Market Design	12	50	11	62	2	(11)
	Market Development & Operations for Electricity System Balancing	18	85	18	83	(0)	2
	Market Monitoring	2	9	2	8	0	1
	Central Costs – Energy Markets	2	5	1	4	1	1
	Energy Markets Investments	28		31		(3)	
	Energy Markets Total Costs	84	260	83	257	1	2
Strategic Energy Planning	Centralised Strategic Network Planning	20	89	22	87	(1)	2
	Gas Network Development	4	24	5	25	(1)	(1)
	Network Competition	4	10	5	8	(1)	2
	Regional Energy Strategic Planning (RESP)	46	169	49	170	(3)	(1)
	Strategic Spatial Energy Planning (SSEP)	14	39	17	51	(3)	(11)
	Zero Carbon Operation Strategy	9	35	10	34	(1)	1
	Hydrogen Planner	2	17	1	17	0	0
	Central Costs – Strategic Energy Planning	21	88	18	77	3	11
	Strategic Energy Planning Investments	24		27		(2)	
	Strategic Energy Planning Total Costs	144	472	153	469	(9)	3
Energy Insights	Policy Advice	4	17	4	16	0	1
	Scenario Development	8	37	9	39	(0)	(1)
	Whole Energy Insights	9	39	7	30	2	9
	Central Costs – Energy Insights	1	3	3	14	(2)	(11)
	Energy Insights Investments	0		0		0	
	Energy Insights Total Costs	22	97	22	99	(0)	(2)
Security of Supply Modelling	Energy Security Modelling & Insights	8	40	9	40	(1)	(1)
	Hydrogen Security	0	0	1	12	(1)	(12)
	Central Costs – Security of Supply Modelling	0	0	0	0	0	0
	Security of Supply Modelling Investments	0		0		0	
	Security of Supply Modelling Total Costs	8	40	10	52	(2)	(13)
Whole Energy System Resilience	Emergency Preparedness & Restoration	7	37	6	27	1	10
	Technical Office for Energy Resilience & Security	0	0	3	6	(3)	(6)
	Energy System Risks	8	37	8	37	0	1
	Strategic Resilience & Insights	6	29	7	30	(2)	(1)
	Central Costs – Whole Energy System Resilience	3	11	(1)	2	4	9
	Whole Energy System Resilience – Investment	11		10		1	
	Energy System Resilience Total Costs	34	114	33	102	1	13



Role	Activity	NESOI Forecast		NESOI Plan		Variance	
		£m	FTE	£m	FTE	£m	FTE
System Operations	Operational Readiness	13	48	15	60	(2)	(12)
	Network Control Programme	5	25	4	25	0	0
	Balancing Programme	0	33	0	33	0	0
	ENCC Real-Time Operations	38	124	36	120	2	4
	Future ENCC Design	7	33	5	27	2	7
	Network Access Planning	22	88	20	87	2	1
	Operational & Performance Insights	11	80	11	86	(1)	(7)
	Central Costs – System Operations	17	34	19	23	(2)	11
	System Operations Investments	139		135		4	
	System Operations Total Costs	251	464	246	460	5	4
Network Operability & Connections	Connections	65	218	2	13	63	205
	Connections Policy & Change	0	0	25	79	(25)	(79)
	Connections Operations	0	0	19	107	(19)	(107)
	Network Operability Modelling	7	30	7	27	(0)	3
	Network Operability Services	14	70	13	62	2	8
	Network Services Procurement & Balancing Services Contracting	7	26	6	26	1	(0)
	Central Costs – Network Operability & Connections	(1)	2	(1)	5	(0)	(3)
	Network Operability & Connections Investments	24		29		(5)	
	Network Operability & Connections Total Costs	115	346	100	319	16	27
Facilitating Sector Digitalisation	Interim Data Sharing Infrastructure (DSI) Coordinator	1	7	0	12	1	(5)
	Central Costs – Facilitating Sector Digitalisation	0	0	0	0	0	0
	Facilitating Sector Digitalisation Investments	37		31		6	
	Facilitating Sector Digitalisation Total Costs	38	7	31	12	7	(5)
Role Delivery Support	Customer	8	35	9	36	(1)	(1)
	Data Capabilities	14	34	16	40	(2)	(6)
	Operational Leadership	(1)	3	4	3	(5)	(0)
	Innovation & AI	14	56	15	61	(0)	(5)
	Programme Management	7	54	14	58	(8)	(4)
	Role Delivery Support Investments	55		75		(20)	
	Role Delivery Support Total Costs	97	182	133	198	(36)	(16)



Role	Activity	NESO1 Forecast		NESO1 Plan		Variance	
		£m	FTE	£m	FTE	£m	FTE
Corporate Functions	Assurance	6	22	7	25	(0)	(3)
	Corporate Strategy	2	10	2	9	0	1
	External Affairs	10	37	8	35	1	3
	Finance & Procurement	51	171	52	158	(0)	13
	Legal	11	34	11	31	(0)	4
	People	32	84	29	75	3	9
	Early Careers	11	120	12	118	(1)	2
	Property	39	8	38	8	1	0
	Portfolio Management	2	9	3	9	(0)	0
	Regulation	3	11	3	14	(0)	(3)
	Office of the CEO	12	7	10	5	2	2
	Corporate Functions Investments	48		52		(4)	
	Corporate Functions Total Costs	227	515	226	488	0	27
Cyber & Physical Security	Physical & Cyber Security	32	76	33	76	(1)	0
	Cyber & Physical Security Investments	21		20		1	
	Cyber & Physical Security Total Costs	53	76	54	76	(0)	0
Digital & Technology Support	Digital & Technology Support Contracts	(10)	4	(27)	4	17	0
	Digital Strategy & Architecture	14	52	12	49	2	3
	Functional Excellence	23	62	25	64	(2)	(2)
	Product Development & Run	413	310	400	304	13	6
	Digital & Technology Support Investments	(18)		(20)		2	
	Digital & Technology Support Total Costs	422	428	390	421	32	6
Transformation	Day 2 Transformation	0	0	0	0	0	0
	Contingency Control Centre	0	11	0	7	(0)	4
	REMA	0	0	0	0	0	0
	Operational Service Agreements	0	0	0	0	0	0
	Transformation Investments	119		57		62	
	Transformation Total Costs	119	11	57	7	62	4
	Costs Before Efficiencies	1616	0	1539	0	77	0
	Efficiencies	(34)		(28)		(6)	
Grand Total	Grand Total	1582	3012	1511	2960	71	51



Cost Monitoring Framework

Introduction

Following our Business Plan 2 (BP2) submission, in March 2023 Ofgem outlined the requirement for a Cost Monitoring Framework (CMF), and this remains in place for our NESO1 investments. The purpose of the CMF is to monitor the delivery and costs of our IT investments. The CMF is not used directly to assess our performance, but it may be used as evidence as part of our 'Value for Money' assessment.

Under the NESO Performance Arrangements Governance Document (PAGD), we must continue submitting quarterly CMF reports directly to Ofgem throughout NESO1 and include a CMF summary in our six-monthly incentives report.

Portfolio Summary (Q1 and Q2 FY27)

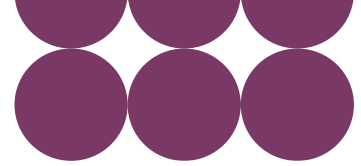
During the first two quarters of FY27, the Digital, Data and Technology portfolio progressed a broad range of investments across strategic energy planning, connections reform, market operations, balancing services, forecasting, system access, resilience and control-room modernisation. Delivery maturity varied across the portfolio, with some investments deploying operational capabilities, while others progressed through discovery, sanctioning, mobilisation or early-stage development.

Notable delivery during the period included the deployment of new forecasting capability and decommissioning of the legacy Electricity Forecasting System; delivery of GC0166 (Grid Code modification titled: Introducing new Balancing Mechanism Parameters for Limited Duration Assets) functionality, enabling NESO to make better use of battery storage and other limited-duration assets within the Balancing Mechanism by introducing new parameters that provide much better visibility of available energy and state-of-charge constraints and remediation of priority Balancing Mechanism defects; progression of connections data remediation, automation and Gate 2 offer capabilities; delivery of system-access improvements; and completion or advancement of resilience, restoration and strategic planning capabilities. The portfolio also continued to develop its use of data, analytics and artificial intelligence to support planning, stakeholder engagement and operational decision-making.

Several investments achieved important enabling milestones during the period. These included sanctioning and governance approvals supporting the mobilisation of Flexibility Enablement, the Operator Console and the Future Training Simulator, alongside continued discovery, proof-of-concept and implementation-planning activity across several strategic planning and digitalisation initiatives. These activities establish the foundations for future delivery but are not presented as completed operational outcomes.

NESO also exited the remaining Transitional Service Agreements with National Grid in September 2026. The TSA separation is now completed and formal declaration of service exit achieved.

Portfolio governance and management arrangements continued to mature. Architecture standards and templates were refreshed, enterprise architecture traceability and



reporting were strengthened, and Verto was selected as the replacement project portfolio management platform for Microsoft Project Online.

Performance was not uniform across the portfolio. The Network Control Management System remains the most significant delivery challenge following delays and quality issues affecting supplier releases. These issues required an extended testing and defect-resolution cycle and resulted in the development of a revised delivery plan, including a proposed July 2027 go-live presented to the Portfolio Management Board in July 2026. The investment will remain subject to focused governance oversight, recovery monitoring and formal change control.

Overall, the first half of FY27 demonstrates meaningful progress across the DD&T portfolio, together with continued development of the governance and management controls required to support delivery. Priorities for the second half of FY27 include maintaining delivery against approved milestones, implementing the NCMS recovery plan, managing cross-investment dependencies and supplier risks, completing the financial reconciliation, and strengthening the quality and traceability of portfolio evidence.

Reported Metrics





Summary of Reported Metrics

The table below summarises our Reported Metrics for September (Q2) 2026:

Reported Metric	Performance
1 Balancing Costs	Sept: £553m
2 Demand Forecasting	Sept: Forecasting error of 723MW
3 Wind Generation Forecasting	Sept: Forecasting error of 4.6%
4 Skip Rates	Sept: Post System Action (PSA) Offers: 39% Bids: 36% Combined: 38%
5 Security of Supply	Sept: 0 frequency excursions, 0 frequency instances and 0 voltage excursions
6 CNI Outages	Sept: 0 planned, 0 unplanned system outages.
7 Carbon intensity of NESO actions	Q2: (July) 13.42gCO₂/kWh of actions taken by NESO (Aug) 6.91gCO₂/kWh of actions taken by NESO (Sept) 17.83gCO₂/kWh of actions taken by NESO
8 Short Notice Changes to Planned Outages	Q2: (July) 0 delays or cancellations per 1000 outages due to a NESO process failure. (Aug) 0 delays or cancellations per 1000 outages due to a NESO process failure. (Sept) 2.42 delays or cancellations per 1000 outages due to a NESO process failure.
9 Zero Carbon Operability Indicator	Q2: Highest ZCO% of 97.9% (September) after NESO operational actions, based on the CP30 definition of zero carbon.
10 Day-ahead procurement	Q2: 94% balancing services procured at no earlier than the day-ahead stage.
11 Accuracy of Forecasts for Charge Setting – BSUoS	Q2: Month ahead BSUoS forecasting accuracy (absolute percentage error) of; July: 14.5% Aug: 3.5% Sept 64.1%
12 Balancing services procured in a non-competitive manner	H1: £207m spend on non-competitive services. Volume 30.7 TWH and 24.8 TVARH
13 Future Savings from Operability Solutions	H1: i) Saved balancing costs: N/A ii) Monetised carbon reductions: N/A iii) Indicative impact on the SZCP limit: See Reported Metric 13 for details.



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 normalised, 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](#).

September 2026 performance

Figure: 2026–27 Monthly balancing cost outturn versus benchmark

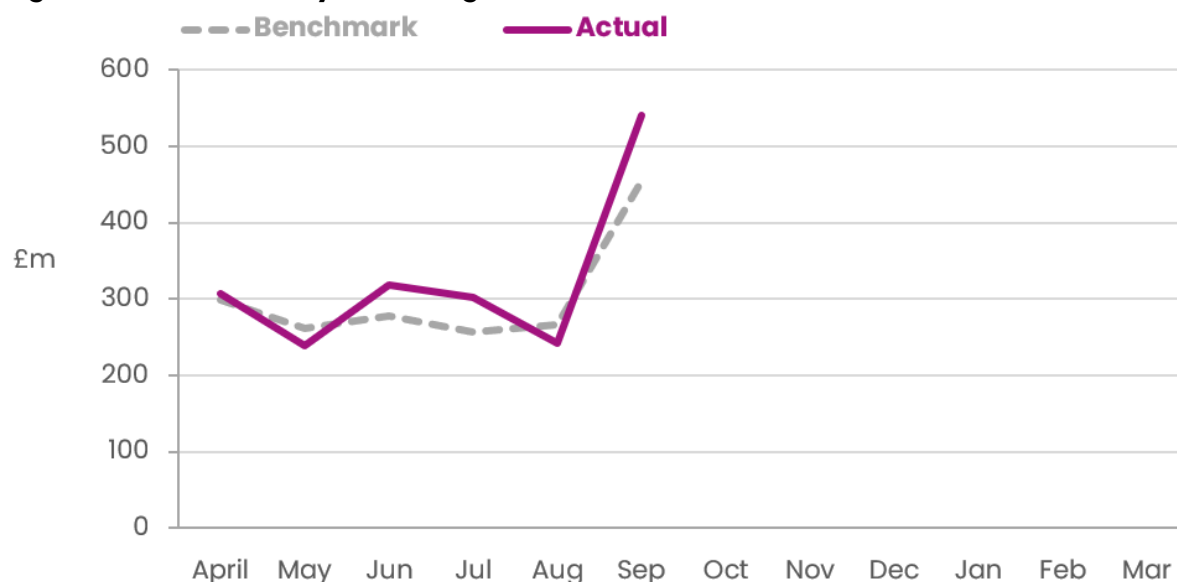


Table: 2026–27 Monthly breakdown of balancing cost benchmark and outturn

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	0.15	0.14	0.25							0.18
Day Ahead APX (£/MWh)	82.5	104.8	100.2	106.7	127.1	134.4							109.3
Benchmark*	299	262	278	257	266	455							1817
Outturn balancing costs¹	307	239	319	301	242	553							1962

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

September's daily average benchmark of £15.2m was £6.6m higher than August driven primarily by a combination of stronger wind generation and higher wholesale market prices.

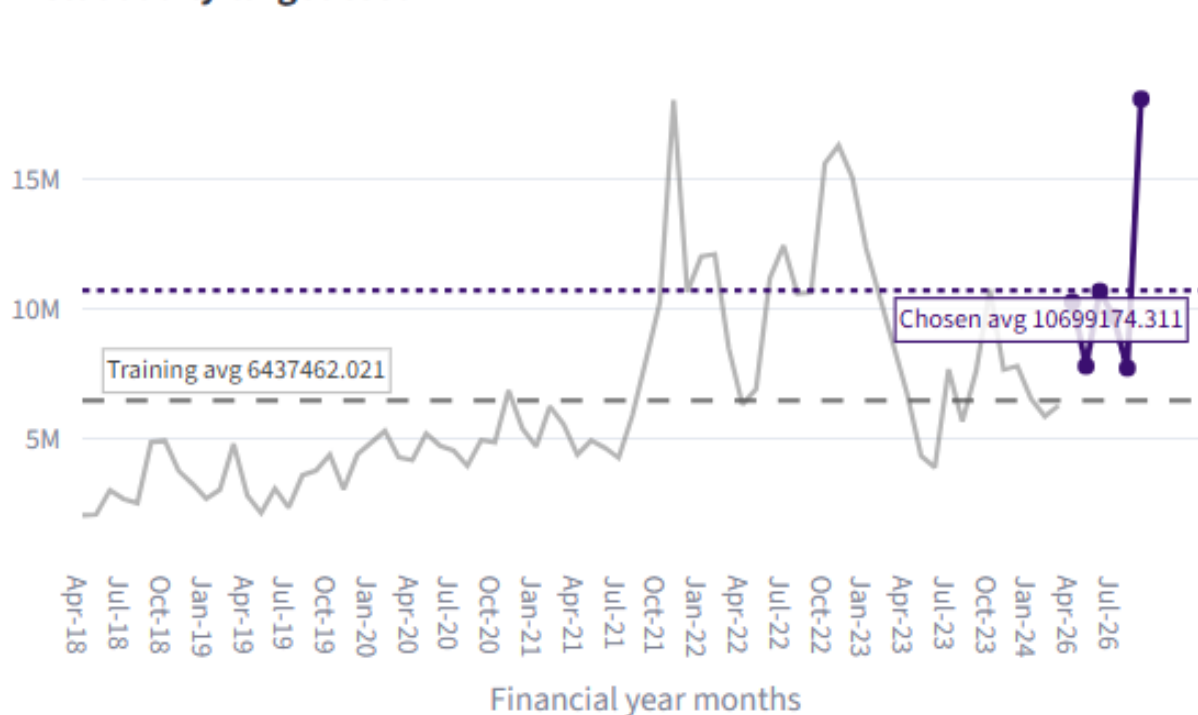
Wind penetration (September ↑ vs August): Wind penetration was significantly higher in September than in August, indicating a shift towards a different operating regime. Within the benchmark model, higher levels of wind penetration are associated with greater variability in balancing costs, largely due to increased system constraints. This change in system conditions is linked to an increase of approximately £10.3m in average daily balancing costs relative to August.

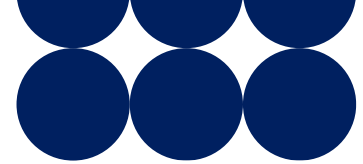
Day-ahead price (September ↑ vs August): September also experienced higher day-ahead wholesale electricity prices compared with August, reflecting a more expensive underlying market environment. Day-ahead price is one of the key explanatory variables within the benchmark model and contributes materially to the estimation of average daily balancing costs.

Overall, while both factors contributed to the increase in balancing costs, the impact of higher wind penetration and the associated system constraints was the dominant driver. Together, these conditions resulted in substantially higher balancing costs during September compared with the previous month.

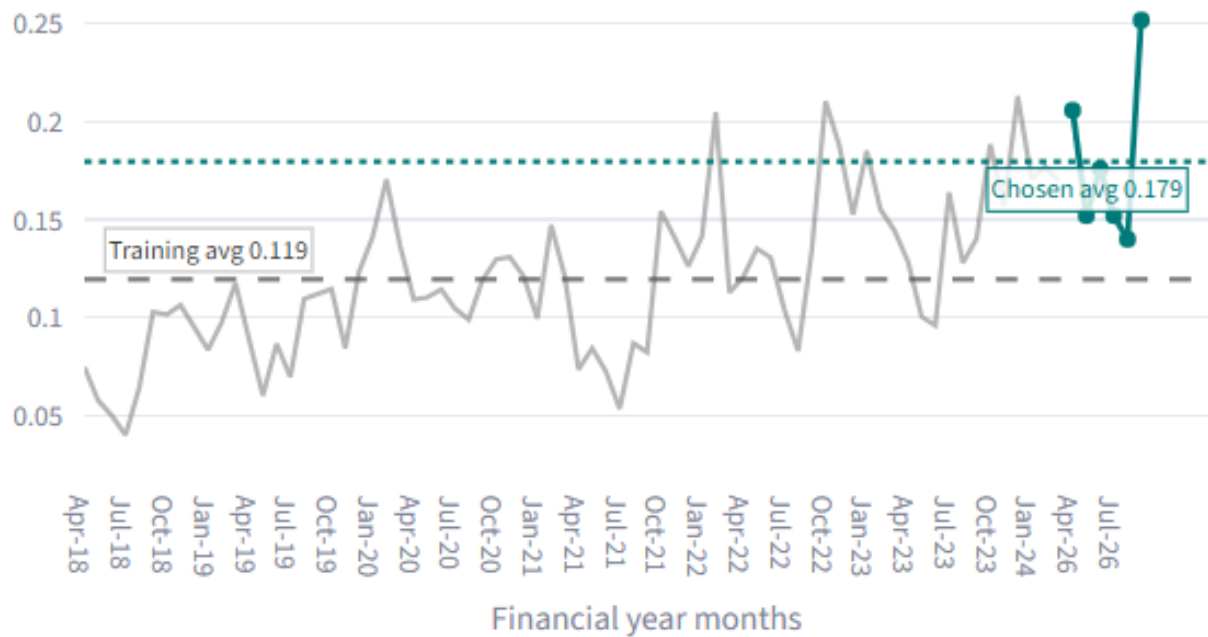
— Training Period —●— Chosen Period

Actual daily target cost

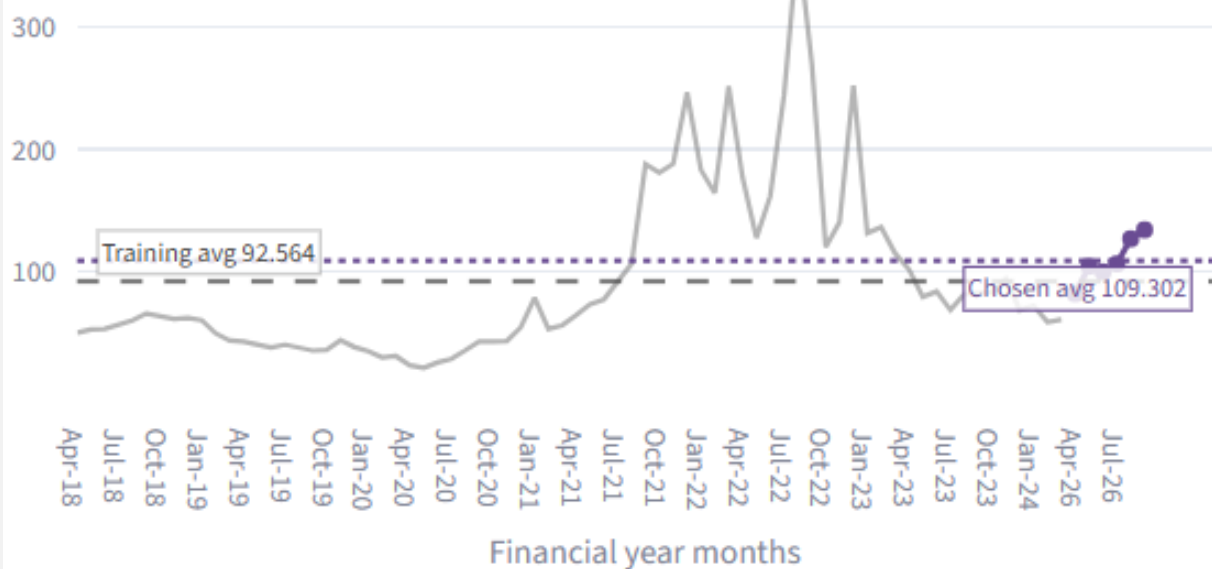




Wind penetration



Day-ahead price





Balancing Costs – Overview

The total balancing cost for September was £553m, which is £98m (~22%) above the benchmark of £455m. September balancing costs were broadly in line with expectations given the outturn conditions. High wind output, low demand and elevated wholesale prices were key drivers of costs, with the benchmark capturing most of their impact. This suggests balancing costs followed expected trends, with the residual variance largely attributable to network outages and reduced transfer capability that were not captured by the model and amplified the effects of other factors.

September was the highest costing month on record, slightly higher than the record set in November 2021 (£542m). The cost drivers for September are different than November 2021 which was largely driven by high gas and power prices due to the Russian-Ukraine energy crisis. In contrast, September's costs were driven by a high volume of balancing actions, which reached a record high of 4806GWh, reflecting the key driver of September's costs to be from high wind curtailment and expensive replacement energy actions due to inflated electricity and gas prices amid ongoing market volatility.

September costs were driven by:

Higher redispatch volumes. Sustained high wind generation, combined with low demand, transmission outages and multiple active thermal constraints, significantly increased redispatch requirements. Wind accounted for 39% of the generation mix, reaching 67% on 19 September, while a record 1.8 TWh of wind was constrained off during the month. Reduced transfer capability, particularly from Scotland, meant more wind had to be curtailed and replaced with generation closer to demand in the South.

More expensive redispatch actions. Gas and power prices were 136% higher year on year, increasing the cost of replacing curtailed wind. On several high-cost days, low day-ahead and within-day power prices reduced incentives for gas generation to run ahead of real time, requiring volumes to be turned up later through the Balancing Mechanism at significantly higher offer prices. This created a costly combination of paying wind to reduce output while simultaneously paying gas to increase output. The volume-weighted average offer price increased to £211.97/MWh, while the average bid price fell to -£3.14/MWh, reflecting the high volume of wind curtailment. The negative bid price here reflects a net payment from NESO to generators.

The combined volume and price effects were sustained across the month. Daily balancing costs averaged £18.0m, compared with £7.7m in August, with 17 days above £15m and six above £30m. Constraint costs increased by £326m compared with August and accounted for much of the increase in overall balancing costs. The repeated occurrence of high-cost days shows that September's increase was not driven by a single event, but by the sustained combination of high wind, network limitations and expensive replacement energy.



These system conditions affected costs in the following areas:

- **Trades:** Spending on trades increased to £48.6m in September, compared with £18.1m in August, to help manage constraints on the system.
- **Constraint Sterilised Headroom:** Costs increased as network constraints limited access to available generation headroom, reducing the flexibility available to balance the system.

Non-constraint costs were relatively flat month on month with a slight drop in costs from £81m to £74m with almost all categories of non-constraints dropping except operating reserve. This is due to the increase in reserve costs driven by increased gas prices, high weather volatility and reduced flexibility.

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 Exelon Insights².

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.

September 2026–27 performance

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

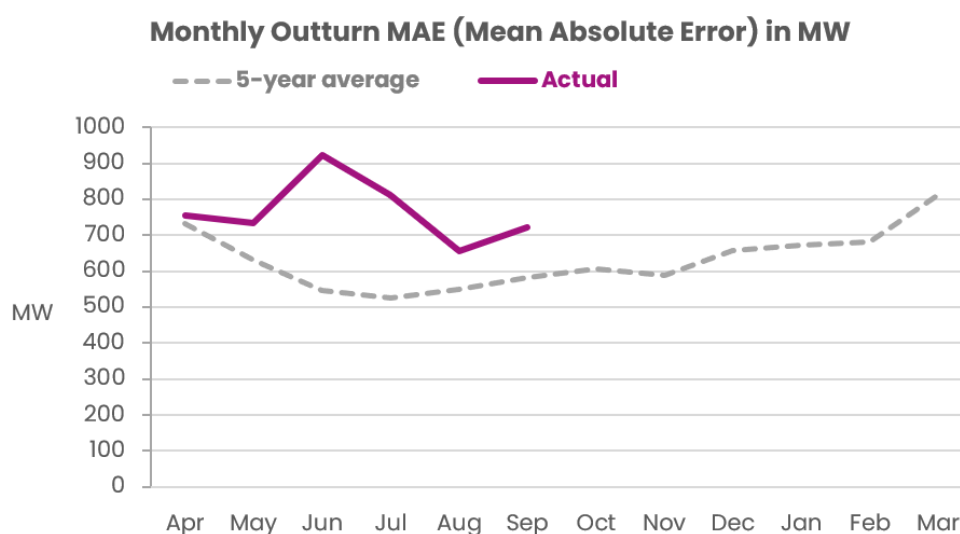


Table: 2026–27 Monthly absolute MW error vs Previous 5-year average

	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	813	657	723						

² [Home | Insights Solution](#)



Supporting information

In September 2026, demand forecasting error averaged 723MW, against the previous 5-year average of 583MW. YTD performance is currently 767MW, vs 5-year average of 594MW.

September was unsettled across the UK, with wet, windy weather but consistently above-average temperatures. Westerly winds and low pressure brought frequent frontal systems. Scotland experienced heavy, above average rain, while southern areas were generally more settled and England again recorded below-average rainfall.

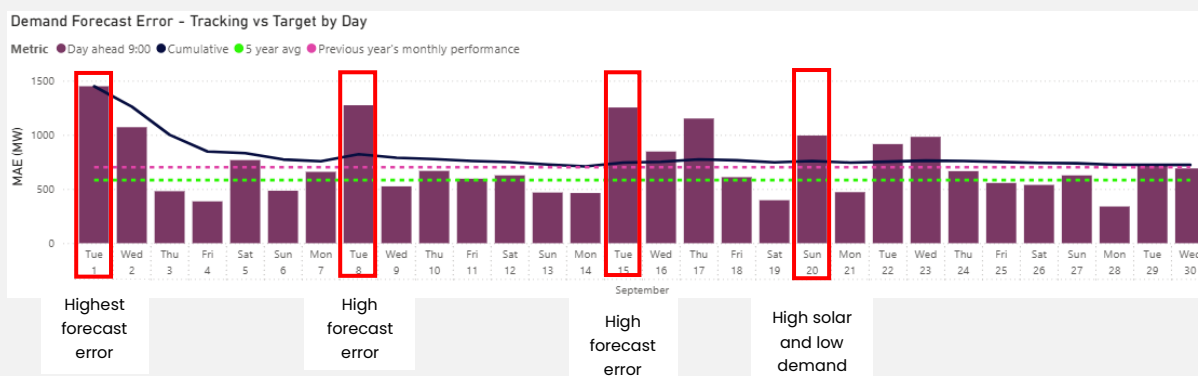
Most schools in England & Wales were back in session by early September, while Scotland returned the previous month.

The largest absolute Day-Ahead demand error this month was 4.2GW on 8 September, SP22.

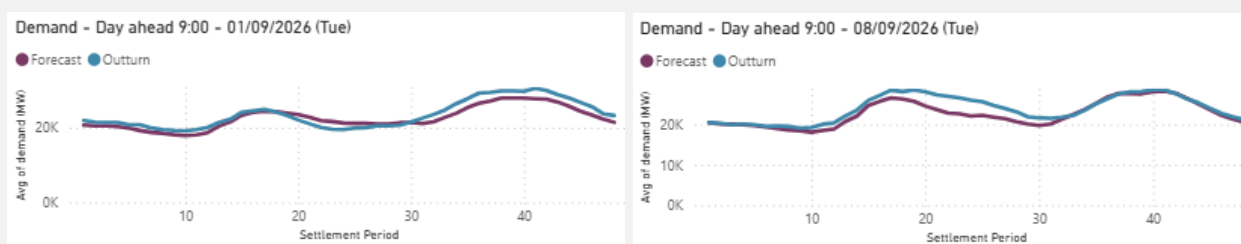
The minimum demand of 14.2GW on 20 September, SP29 (a record low for September), was largely influenced by the peak Solar generation of 13.1GW on the same day. The maximum demand was 33.0GW on 28 September, SP39.

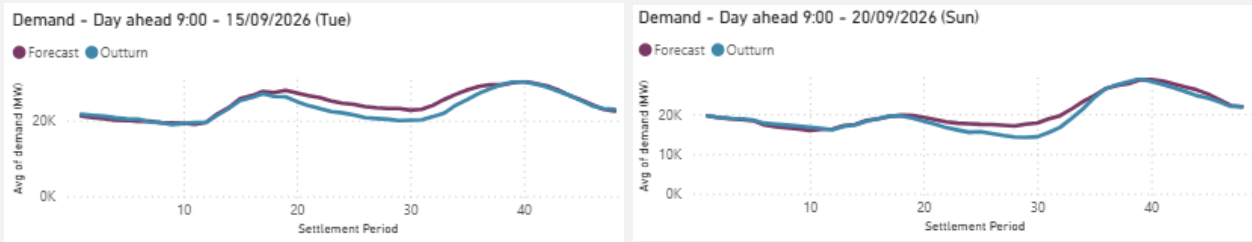
Work continues on validating our next-generation National Demand forecast models. These adopt Machine Learning/AI technology and will make use of the latest NWP (Numerical Weather Prediction) weather-grid data. NESO now aims to release to production in Q3 2026-27.

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. NESO expects to release an upgrade in Q3 2026-27.

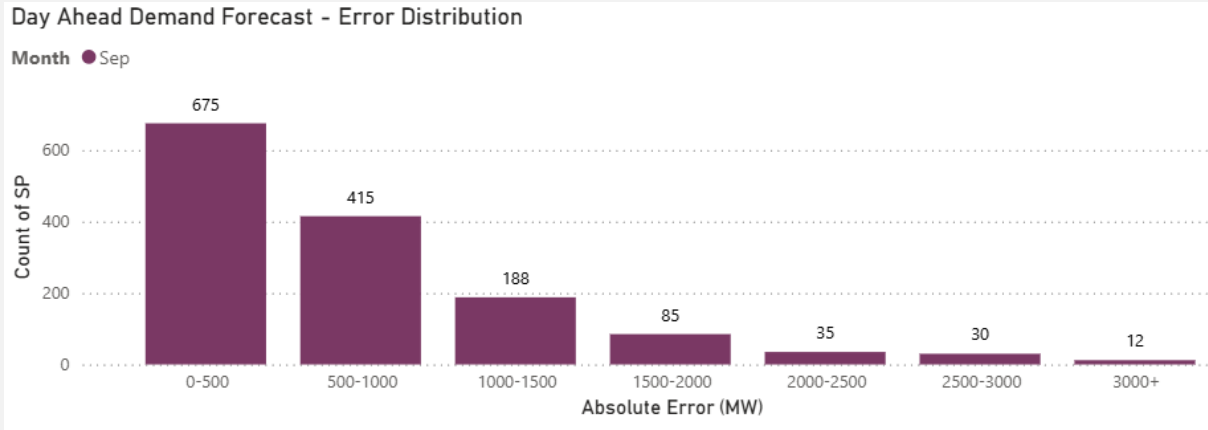


Days of Interest:

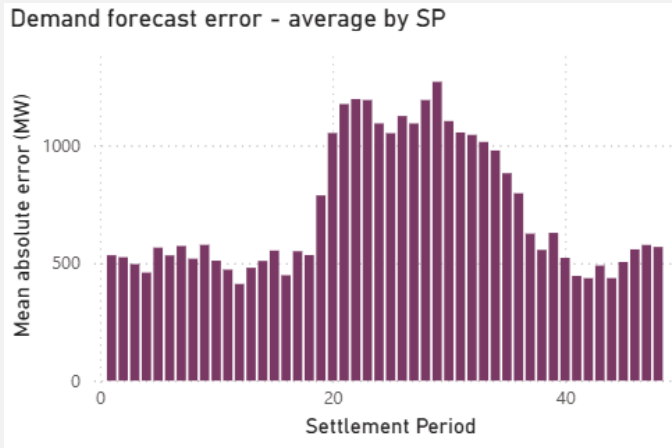




The distribution of settlement periods by error size is shown below:



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



Details of largest errors:

Day	Error (MAE)	Major causal factors
1	1449	Forecast errors due to IT database failure
8	1274	Forecast errors due to solar PV forecast errors
15	1253	Forecast errors due to solar PV forecast errors

**Missed / late publications**

There was 1 late publication on 12 September, due to IT issues.

Demand Flexibility Service

Demand Flexibility Service (DFS) was used on 27 days in September, with an accumulated total of 4033 MWh procured. These will nominally affect the national demand outturns but are not included in the day ahead forecast or metric correction.



3. Wind Generation Forecasting

Under NESOI (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:

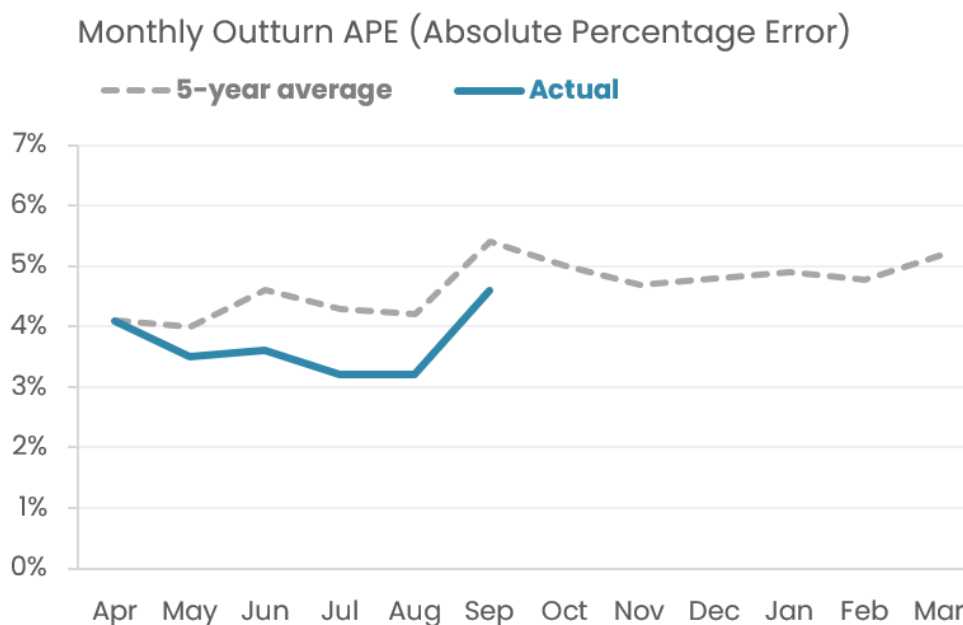
- did not have a bid-offer acceptance (BOA); and
- did not withdraw availability completely between time of forecast and time of metering; for the relevant settlement period. We publish this data on its data portal for transparency purposes.

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.

September 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	3.2	3.2	4.6						

Supporting information

In September 2026, BMU wind forecasting error averaged 4.6%, against the 5-year average of 5.4%. YTD performance is currently 3.7%, vs 5-year average of 4.4%.

Metric-adjusted wind generation peaked at 16.2GW on 18 September, SP36.

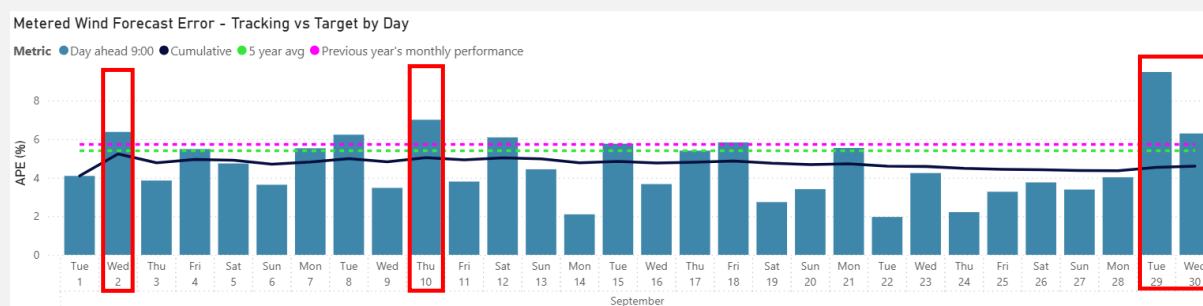
Day Ahead Wind forecast absolute error peaked at 3.3GW on 29 September, SP43.

September was an unsettled month for the UK. Westerly winds and low pressure brought wet, windy conditions and frequent frontal systems across the UK.

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 2026-27. From Q3, we intend to focus on enhancing our within-day capability.

The wind models continue to perform well, but further weather-forecast and insight improvements are necessary to make significant performance gains.

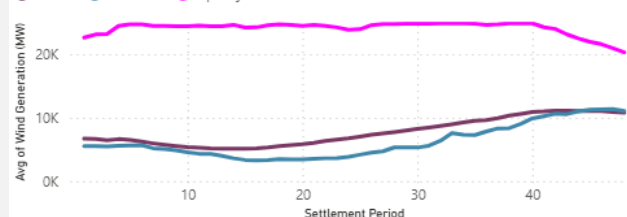
NESO aims to trial higher-resolution weather data in Q4 2026.



Days of Interest:

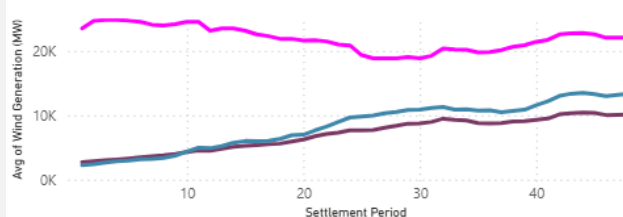
Metered Wind - Day ahead 9:00 - 02/09/2026 (Wed)

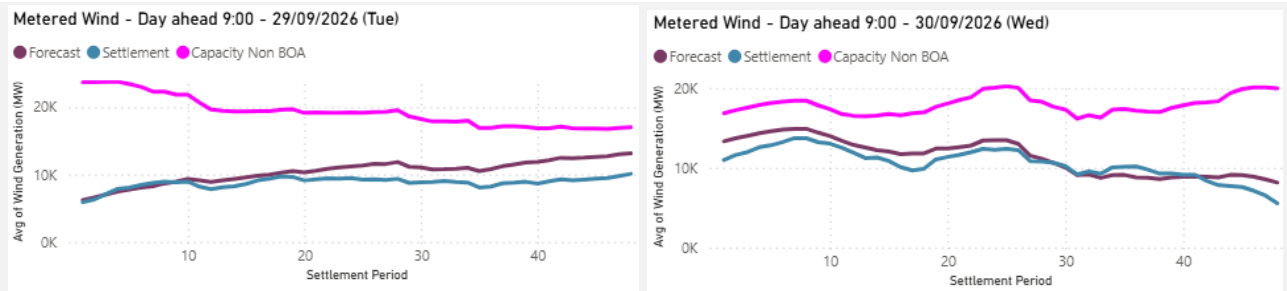
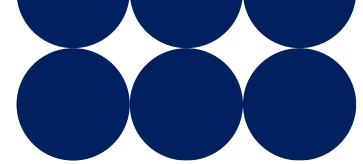
Forecast Settlement Capacity Non BOA



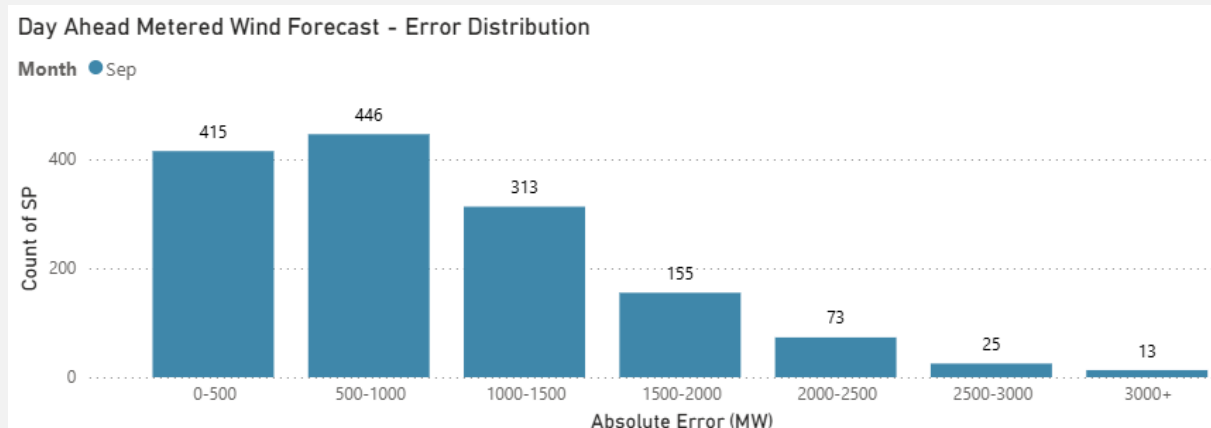
Metered Wind - Day ahead 9:00 - 10/09/2026 (Thu)

Forecast Settlement Capacity Non BOA

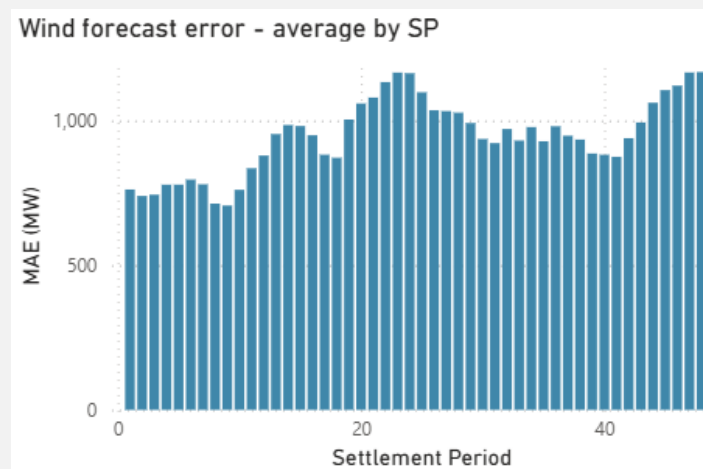




The distribution of settlement periods by error size is summarised below:



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



Details of largest errors:

Day	Error (APE)	Major causal factors
2	6.4	Wind speed forecast errors at day-ahead stage
10	7.0	Wind speed forecast errors at day-ahead stage
29	9.5	Wind speed forecast errors at day-ahead stage

Missed / late publications

There were no late publications in September.



4. Skip Rates

Under NESOI (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 NESOI 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. The previous target for this metric was an average rate of 30% from January to the end of June 2026. It is retained here for contextual comparison only. 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

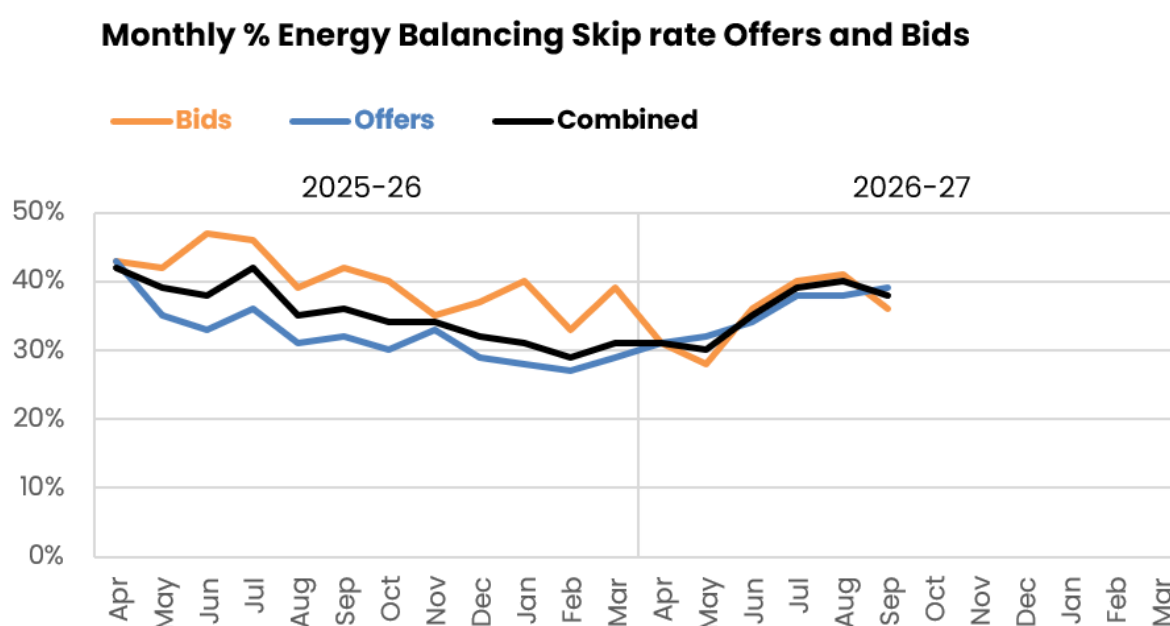


**Table: 2026–27 Monthly % Energy Balancing Skip rate Offers and Bids**

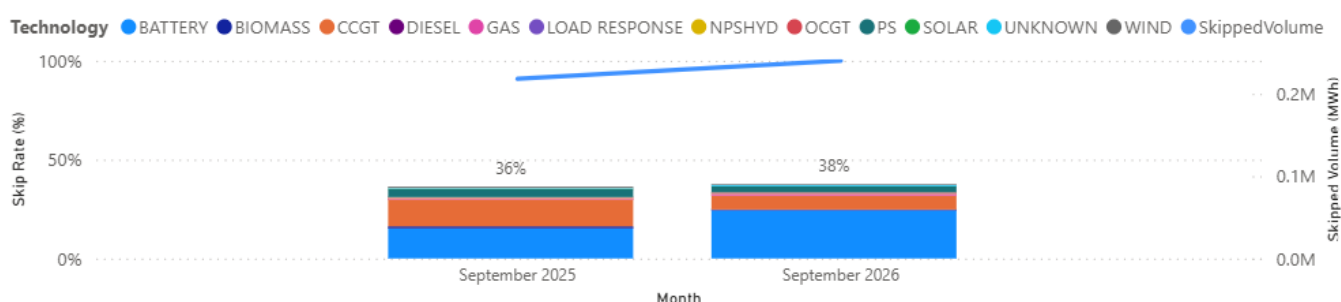
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Offers	31%	32%	34%	38%	38%	39%						
Bids	31%	28%	36%	40%	41%	36%						
Combined	31%	30%	35%	39%	40%	38%						

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

Energy Balancing Skip Rate: September 2025 versus September 2026

The combined skip rate in September 2026 was 1.3 percentage points higher year-on-year. Absolute skipped volume rose from 218 GWh to 240 GWh (+10%). In-merit volume increased from 602 GWh in September 2025 to 638 GWh in September 2026 (+6%), reflecting a busier month for energy balancing dispatch. Both skipped volume and in-merit volume rose in absolute terms, and the rate movement reflects a modest increase in out-of-merit behaviour alongside higher overall balancing activity during the month.

Relative-Technology Skip Rate and SkippedVolume by Technology - Stage 5



Supporting information

SEPTEMBER PERFORMANCE – COMBINED BIDS AND OFFERS

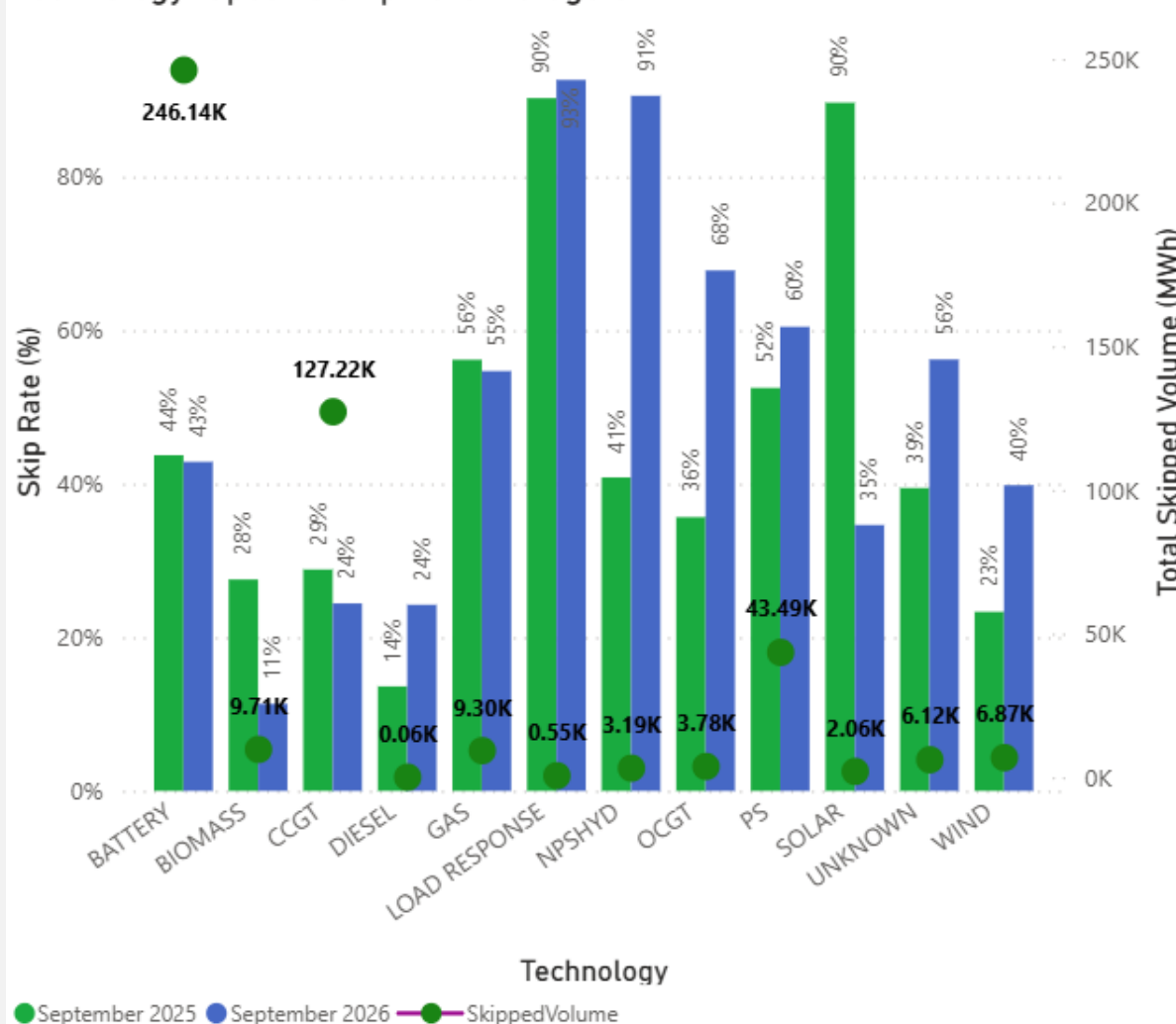
The combined bid and offer skip rate reduced to 38% in September, down from 40% in August. Battery bid volume fell sharply, down 30% to 170 GWh (from 241 GWh in August), even as overall balancing volumes picked up across the month. Skipped volumes rose for both batteries and CCGTs in September – battery skipped volumes increased 13% (from 137 GWh to 155 GWh) and CCGT skipped volumes rose 59% (from 28 GWh to 45 GWh), broadly in line with higher dispatch volumes. The battery technology-specific skip rate edged up from 41% to 43%, while the CCGT skip rate improved, falling from 28% to 24%.

Overall balancing volumes increased between August and September, with in-merit volume rising from 537 GWh to 638 GWh and skipped volume growing from 214 GWh to 240 GWh – skipped volume grew more slowly than in-merit volume, so the headline skip rate eased. Battery dispatch efficiency softened slightly, with the technology-specific skip rate edging up from 41% to 43% even as battery bid volumes fell sharply. Pumped Storage saw reduced



participation in balancing actions, with in-merit volume falling from 58 GWh to 32 GWh and skipped volume also declining, from 32 GWh to 19 GWh.

Technology-Specific Skip Rate - Stage 5



The combined technology-specific skip rate has moved in mixed directions across technology types between September 2025 and September 2026. Battery — which carried the largest skipped volume at 91 GWh in September 2025 — has seen its skip rate hold broadly flat at approximately 43% (43.7% to 42.9%). Battery in-merit volume grew significantly from 209 GWh in September 2025 to 361 GWh in September 2026 (+73%), with skipped volume rising proportionally from 91 GWh to 155 GWh. CCGT, the second-largest contributor to skipped volume at 82 GWh in September 2025, improved its skip rate from approximately 29% to 24% (–4pp), while skipped volume fell substantially from 82 GWh to 45 GWh — reflecting a reduction in CCGT's contribution to overall skipped and in-merit volume. Pumped Storage saw its in-merit volume fall from 46 GWh to 32 GWh (–31%); its skip rate moved from 52% to 60% (+8pp). Wind worsened from 23% to 40% (+17pp) on lower volumes (17 GWh to 7 GWh), while Gas held broadly steady at approximately 55% to 56% (–1pp) on small, growing volumes (6 GWh to 10 GWh). Biomass improved markedly from approximately 28% to 11% (–16pp), with in-merit volume holding roughly steady (24 GWh to



28 GWh) while skipped volume nearly halved, from 7 GWh to 3 GWh. Overall, the combined skip rate increased slightly, from 36% to 37% (+1pp), as Pumped Storage and Wind deterioration offset the improvements in Battery, CCGT and Biomass.

Conclusion

Across technology categories, the month-on-month picture between August and September 2026 was mixed, with the combined skip rate improving from 40% to 38%, despite deterioration in some technology-specific rates. Battery – the largest contributor to skipped volume – saw its skip rate edge up slightly, from approximately 41% in August to 43% in September (+2pp), with skipped volume rising from 137 GWh to 155 GWh as in-merit volume grew from 330 GWh to 361 GWh (+9%). Gas worsened from approximately 40% to 55% (+15pp), OCGT from 34% to 68% (+34pp), and Solar from 18% to 35% (+17pp) – although volumes remain small. CCGT was the one exception, improving from approximately 28% to 24% (-4pp), as in-merit volume nearly doubled (102 GWh to 184 GWh), outpacing the rise in skipped volume (28 GWh to 45 GWh). Pumped Storage saw its skip rate rise from approximately 55% to 60% (+5pp), even as in-merit volume fell from 58 GWh to 32 GWh and skipped volume fell from 32 GWh to 19 GWh. Wind moved from approximately 30% to 40% (+10pp), with skipped volume easing from 3.5 GWh to 2.8 GWh, though volumes remain modest.

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 eased from approximately 41% in August to 36% in September, while skipped volume fell from approximately 142 GWh to 101 GWh. CCGTs accounted for a larger share of skipped volume in September (~7%) compared to August (~4%), even though the technology-specific skip rate declined from 30% to 25%. Batteries continued to account for the largest share of skipped volume, though their relative-technology skip rate eased to ~22% in September from ~29% in August. The battery technology-specific skip rate improved further, from 41% to 37% (-4pp). Battery bid in-merit volume fell from ~241 GWh to ~170 GWh, while skipped volume also fell, from ~100 GWh to ~63 GWh – a proportionally larger reduction, driving the rate improvement.

Battery technology continued to dominate bid skipped volume throughout September, with its technology-specific skip rate varying from 35% (week of 12 September) to 55% (week of 26 September) – a range similar in width to August's 28% to 46%, though shifted higher



overall. CCGT skip rates showed a narrower spread than August's 14% to 48%, ranging from 17% (week of 5 September) to 36% (week of 26 September).

Offers

The offer skip rate edged up slightly from approximately 38% in August to 39% in September, while both in-merit volume and skipped volume rose sharply – in-merit volume grew from 187 GWh to 356 GWh (+90%) and skipped volume rose from 72 GWh to 139 GWh (+94%). CCGTs accounted for a slightly lower proportion of skipped volume in September (~7%) than in August (~8%), with the technology-specific skip rate easing from 26% to 24%. Batteries accounted for a notably higher proportion of skipped volume in September (~26%) compared to August (~20%), and the technology-specific skip rate worsened from 41% to 48% (+7pp). This was driven by in-merit volume more than doubling (88 GWh to 191 GWh) while skipped volume grew by an even larger proportion (37 GWh to 92 GWh). Offer skip rates in September 2026 remained broadly stable, as higher balancing requirements drove both in-merit and skipped volumes substantially higher. Battery skipped volumes increased as part of actions to manage operational risk, with offer volume being left in the afternoon to ensure batteries were charged and available over later system peaks.



5. Security of Supply

Under NESOI (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 $\pm 0.3\text{Hz}$ 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 $\pm 0.5\text{Hz}$ away from 50 Hz for more than 60 seconds
- The frequency was $0.3\text{Hz} - 0.5\text{Hz}$ 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 other 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 are 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.

September 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	–	0	0	0						
	Unsecured under SQSS	0	0	–	0	0	0						
Instances where frequency was 0.3 – 0.5 Hz away from 50Hz for over 60 seconds*		0	1	–	0	0	0						
Voltage Excursions defined as per Transmission Performance Report2F ³	Secured under SQSS	0	0	–	0	0	0						
	Unsecured under SQSS	0	0	–	0	0	0						

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

⁺ June data will be published on completion of Eversheds Sutherland International investigation and Ofgem review.

Supporting information

No reportable voltage or frequency excursions during September.

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



6. CNI Outages

Under NESOI (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.

September 2026–27 performance

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

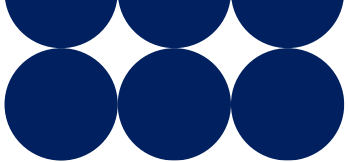
Unplanned	2026–27											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Balancing Mechanism (BM)	0	0	0	0	1 outage 125 mins	0						
Integrated Energy Management System (IEMS)	0	0	0	0	0	0						

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	1 outage 206 mins	0	0						
Integrated Energy Management System (IEMS)	0	0	0	0	0	0						

Supporting information

There were no outages, either planned or unplanned, encountered during September 2026.



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](#).

Q2 2026–27 performance

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

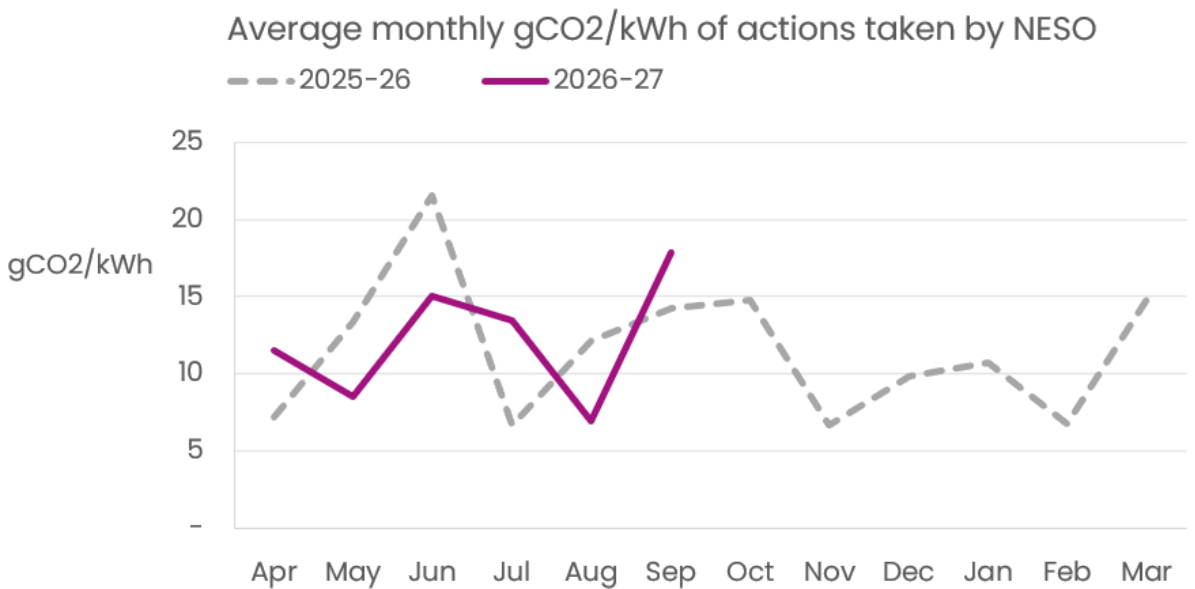


Table: Average monthly gCO₂/kWh of actions taken by NESO

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Carbon intensity (gCO ₂ /kWh)	11.51	8.55	15.07	13.42	6.91	17.83						



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.

Q2 2026 performance

In Q2 the average monthly carbon intensity from NESO actions was $12.66\text{gCO}_2/\text{kWh}$ with the highest average monthly carbon intensity from NESO actions being $17.83\text{gCO}_2/\text{kWh}$ in September. 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 $84.95\text{gCO}_2/\text{kWh}$. This took place on the 25 July at 0630.

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 increased periods where NESO actions are reducing the carbon intensity on the system over Q1 and Q2. For example, this can be observed on the 23 September when NESO actions reduced the carbon intensity by $25.91\text{gCO}_2/\text{kWh}$.

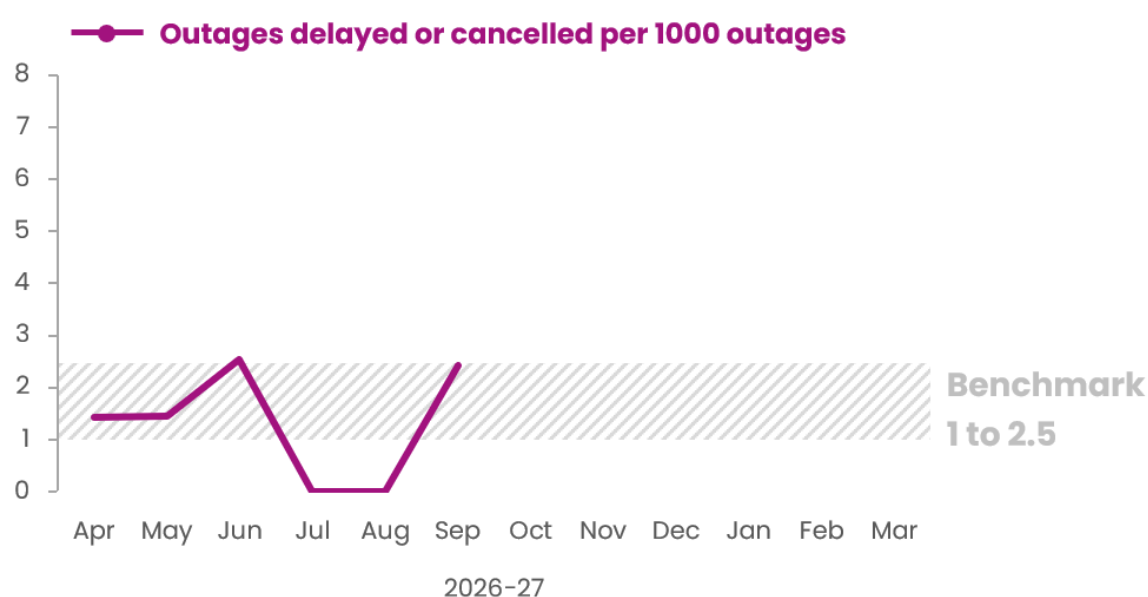


8. Short Notice Changes to Planned Outages

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

Q2 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	701	644	827							4348
Outages delayed/cancelled due to NESO process failure	1	1	2	0	0	2							6
Number of outages delayed or cancelled per 1000 outages	1.43	1.46	2.53	0	0	2.42							1.38



Supporting information

We successfully released 701 outages in July, 644 outages in August and 827 outages in September. Across these three months there were two delays or cancellations due to a NESO process failure where both the events occurred in September. The cumulative number of stoppages or delays per 1000 outages year-to-date is 1.38.

The first outage delay in September was attributed to difficulty managing the system margins due to a combination of this outage along with an unplanned outage in the GM+SNOW5A boundary. The planned outage didn't influence the constrained limit in GM+SNOW5A, however caused generation constraint in the DRESHEX region which proved it difficult to manage for overall margins resulting in curtailing of large volume of generation.

The second delay was on a mesh corner and an SGT outage that flagged back energisation issues which were missed in the planning timescales.

Operational Learning Notes for both the 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 RII0-2 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:

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

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: Q2 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	92.01	99.07	25/07/2026 SP36
August	95.61	96.34	29/08/2026 SP10
Sept	97.87	97.42	03/09/2026 SP28
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

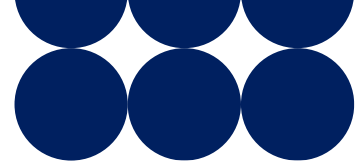


Figure: Maximum monthly ZCO% after NESO operational actions, versus ZCO provided by the market (during the settlement period when the maximum occurred) – one-year view

Using **CP30 aligned** definition of ZCO

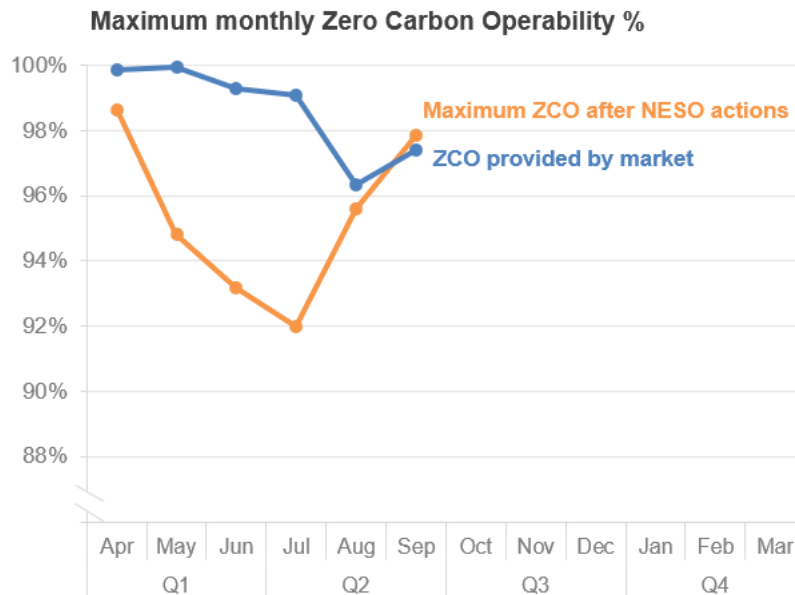
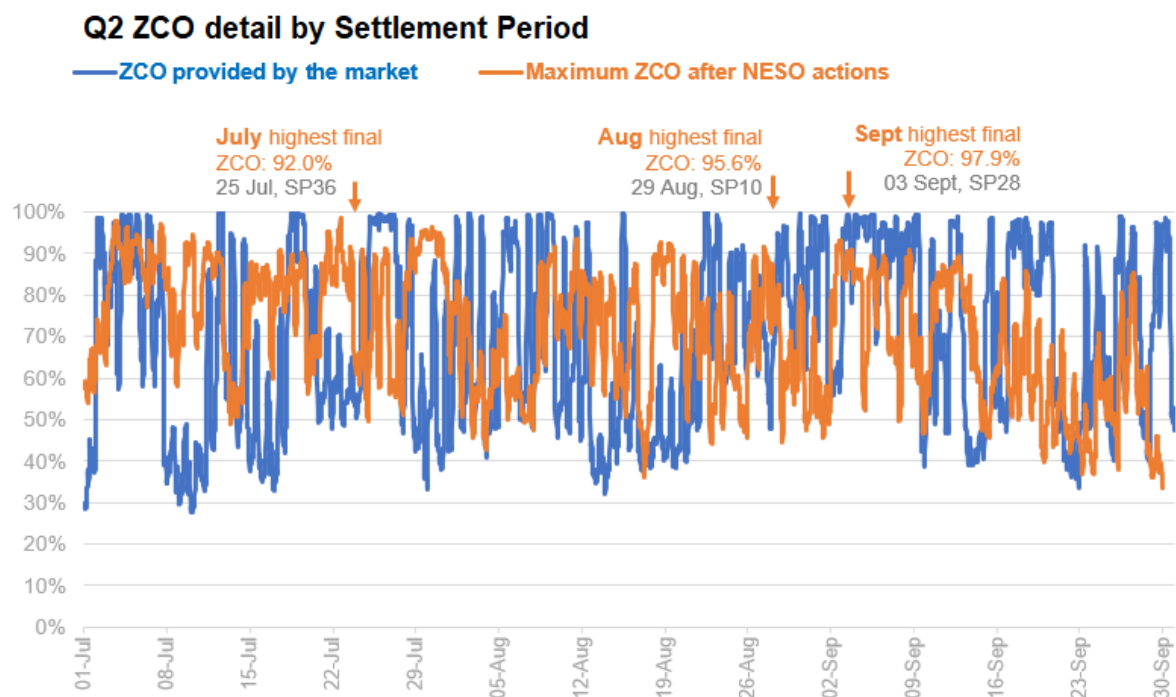


Figure: Q2 2026–27 ZCO by Settlement Period, before and after NESO operational actions

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.

Q2 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.

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 Q2 the market has continued to deliver high levels of zero carbon generation – falling just short of 100% on several occasions based on Settlement data.

NESO's zero carbon performance has continued to build on Q1 with some settlement periods demonstrating NESO actions increased our % of zero carbon operability.

In September the market delivered a maximum of 97.42% zero carbon operability, however NESO actions increased the zero-carbon operability and the highest achieved was 97.87% on 3 September. This is a 2.36 percentage point increase from the same time last year.

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	92.01	-3.92
	August	93.68	95.61	+1.93
	September	95.51	97.87	+2.36
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 bilateral 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. Along with Fast Reserve which was retired on the 17 April 2026

Services newly introduced during BP2 should only be included in this metric if they displace those procured earlier than day-ahead.



Q2 2026-27 performance

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

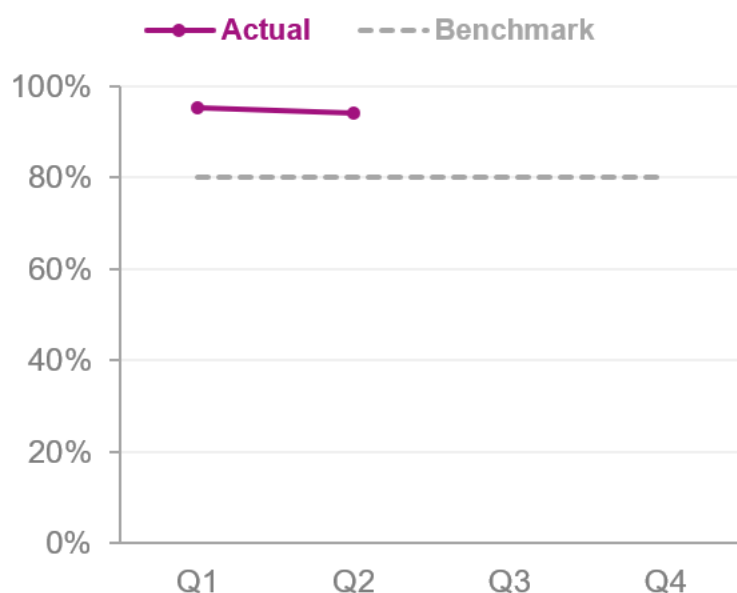


Table: Quarterly percentage of balancing services procured at no earlier than day-ahead

	Unit	Q1	Q2	Q3	Q4	YTD
Volume of balancing services procured (average per procurement period)	MW	4309	4696			9005
Volume procured no earlier than day-ahead (average per procurement period)	MW	4108	4425			8533
Actual % of balancing services procured no earlier than day-ahead (i.e. day-ahead or closer to real time)	%	95%	94%			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	1494			
	DM	MW	525	520			
	DR	MW	489	489			
	Static FFR	MW	224	211			
	SR	MW	898	901			
	BR	MW	433	451			
	QR	MW	366	359			
	Total	MW	4108	4425			
Non Day-ahead	MFR	MW	201	271			
	Total	MW	201	271			
All	Grand Total	MW	4309	4696			

Supporting information

In Q2 the percentage of balancing services procured at no earlier than day-ahead has decreased slightly to 94%, against the benchmark of 80%. This is an increase from last year's Q2, which was at 92%.

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. Through the second quarter of the new Slow Reserve service replacing STOR, volumes seem to be consistent with previous STOR MW's, with a slight increase from the previous quarter, this will again, 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).

Q2 2026–27 performance

Figure: 2026–27 Monthly BSUoS forecasting performance (Absolute Percentage Error)

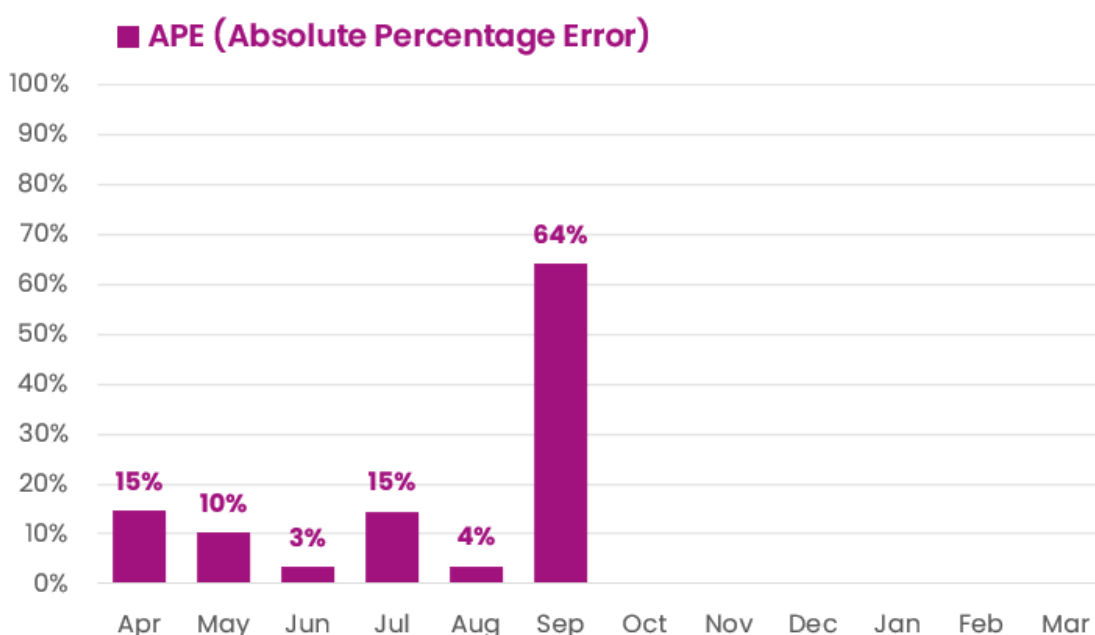


**Table: Month ahead forecast vs. outturn BSUoS (£/MWh) Performance – one-year view**

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Actual (£ / MWh)	17.51	14.46	17.97	17.61	15.63	30.20						
Month-ahead forecast (£ / MWh)	15.27	16.12	17.38	15.38	16.19	18.4						
APE (Absolute Percentage Error)⁶	14.7	10.3	3.4	14.5	3.5	64.1						
Average Monthly APE (by Quarter)	9.5			27.4								

Supporting information

Q2 Performance:

The average monthly Absolute Percentage Error for Q2 is 27.4%, with actuals being higher than month ahead forecasts for July and September.

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 were above our month-ahead forecasts, with the largest variance in September 2026.

Across the quarter, wholesale market prices and the proportion of demand met by renewables, two key drivers of our balancing cost forecast, varied from our month-ahead assumptions. Our wholesale market price assumptions use an average of forward curves from the latest five working days available when the forecast is produced.

In July, balancing costs were above the 80th percentile of our month-ahead forecast, £56m higher than expected. This was mainly driven by Frequency Control and Reserve services, which were £52m above forecast, while constraint costs were £3m higher. Wholesale market prices averaged £107/MWh, compared with our month-ahead forecast of £98/MWh.

In August, balancing costs were below our month-ahead forecast, at around the 45th percentile. Wholesale market prices averaged £128/MWh, compared with our forecast of £91/MWh. Despite higher wholesale prices, constraint costs were £59m below forecast. Frequency Control and Reserve services were £51m above forecast. The proportion of demand met by renewables was 38%, 2 percentage points below our forecast of 40%.

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.



September had the largest forecast variance of the quarter, with balancing costs above the 95th percentile and £235m higher than forecast. Wholesale market prices averaged £134/MWh, compared with our month-ahead forecast of £115/MWh. Renewables met 50% of demand, 5 percentage points above our forecast of 45%. Constraint costs were £170m above forecast and £118m higher than the August outturn. Frequency Control and Reserve services were also £65m above forecast and £22m higher than in August.

These recent outturns will feed into future forecasts through our persistence model, which uses previous forecast errors to adjust our near-term forecasts. We will continue to monitor balancing cost forecast performance, including where actual costs fall within our forecast distribution.

Volumes:

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

Across Q2 our average monthly volume forecasting error was 0.6%. The largest variance was in July, with volumes out-turning above forecast.



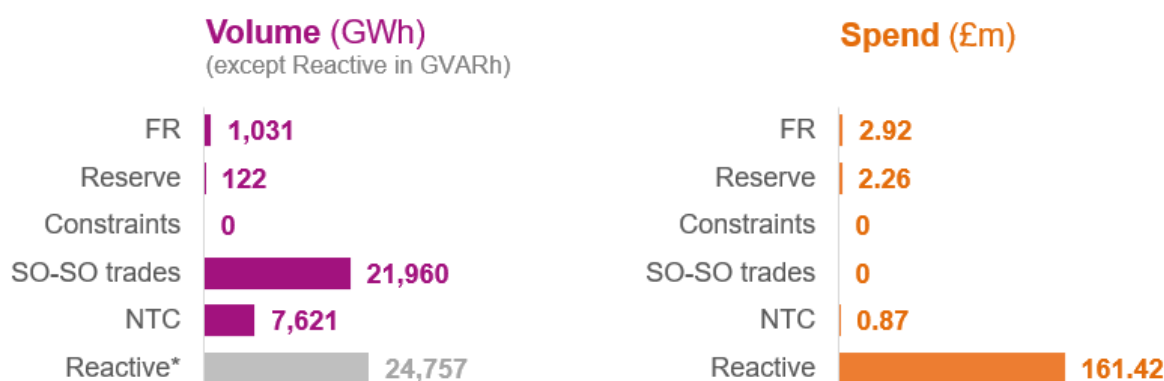
12. Balancing services procured in a non-competitive manner

This Reported Metric measures the volume and spend for non-competitive services for contracts. For the purpose of this metric, we have included volumes where the decision to instruct non-competitive services is made after 31 March 2024, even if the contract terms were signed before (e.g. Mandatory Frequency Response). Figures are reported in GWh/GVARh for the contracted month, which is calculated as the contracted volume in MW multiplied by the number of contracted hours.

Legacy Enhanced Frequency Response (EFR) contract is excluded. However, all SO-SO trades and NTC application, as well as any other non-competitively procured services with contract award after this date, are included.

H1 2026-27 performance

Figure: Volume and spend for non-competitive services for contracts



*Reactive volume is measured in GVARh and is not directly comparable to the other services measured in GWh but is included in the graph with this caveat.

Table: Volume and spend for non-competitive services

	Service	Unit	H1	H2	Full Year
VOLUME	Frequency Response****	GWh	1,031		1,031
	Reserve****	GWh	122		122
	Constraints***	GWh	0		0
	SO-SO trades	GWh	21,960		21,960



	Net Transfer Capacity (NTC)	GWh	7,621		7,621
	Total Volume in GWh	GWh	30,734		30,734
	Reactive (in GVARh)	GVARh	24,757		24,757
SPEND	Frequency Response	£m	2.92		2.92
	Reserve	£m	2.26		2.26
	Constraints	£m	0		0
	SO-SO trades *	£m	0		0
	Net Transfer Capacity (NTC)**	£m	0.87		0.87
	Reactive	£m	201.06		201.06
	Total spend	£m	207.11		207.11

*SO-SO trades, trade volumes and costs for services provided to NESO by another country's system operator have been included. Services provided by NESO to another country's System Operator are excluded.

**NTC cost was updated for Q1 to show payments to provider only – this logic to be used going forward

***For Q2 – Super SEL category has moved from Constraints to Reserve

****Total non-competitive procurement for Frequency Response and Reserve in 12.

Balancing services procured in a non-competitive manner will not align with volume stated in the success measure. This is because Enhanced Frequency Response (EFR) contracts are excluded from, 12. Balancing services procured in a non-competitive manner, as per the agreed methodology. *The volume stated in the Reserve section is for 1-17 April 2026 when Fast Reserve was retired, no other service in reserve contributed.

Supporting information

Frequency Response

The volume of non-competitive services procured in Frequency Response is Mandatory Frequency Response (MFR). MFR is used as an element of our response holding that can be instructed within operational timescales. We are actively considering alternatives to the current MFR service to reduce this volume in the future and have continued to engage with stakeholders on this.

Reserve

For non-competitive Reserve:

**The Optional Fast Reserve product ceased on 17th April 2026, the volume will move to other day ahead reserve services depending on provider engagement.*



Super SEL, which is now included as a Reserve service, is an active but optional contract that a number of generators can provide as a backup to other solutions.

Constraints

No non-competitive constraint contracts were used.

SO-SO Trades

Historically SO-SO Trades were available to us across the IFA and IFA2, Nemo Link, EWIC and Moyle Interconnectors. Since the introduction of hourly gates on IFA, IFA2 and Nemo Link, the current required notice period is longer than the hourly gates provide, meaning we can no longer use this service.

EWIC, Greenlink & Moyle Interconnectors enable SO-SO trades via Cross Border Balancing (CBB) and Coordinated Third Party Trading (CTPT) with EirGrid and SONI. We do not trade via third Parties and therefore only have access to CBB.

SO-SO trades are also available with Energinet via the Viking Link Interconnector.

Net Transfer Capacity (NTC)

A capacity management process is used to ensure secure system operation for both Interconnectors and onshore TSOs. This process can result in the reduction in capacity through the application of a Net Transfer Capacity (NTC) and this reduction is defined as a non-frequency ancillary service.

Standard Licence Condition C28 requires that we procure non-frequency balancing services using market-based procedures. NTC is not procured through market-based procedures and therefore requires a derogation from this requirement. The procurement of NTC cannot be market-based due to technical parameters and the fact that alternative actions are not sufficient or economically efficient.

On 21 September 2026, Ofgem granted us a derogation against C28 for NTCs until 30 September 2030. This follows a request we sent to Ofgem to extend this derogation in July. This gives our Control Room certainty that they can use this vital tool when required for system security over the coming years.

NTCs are our only way of guaranteeing system security in real time. As a result, they are as near to real-time calculated values as the market structure allows. Any restrictions are based on the forecast system conditions for that particular real-time period and are reflective of the limits of GB system security.

Reactive

The volume of non-competitive services procured in Reactive Power is predominantly the MVARh of reactive power from the Mandatory (Obligatory Reactive Power Service) and Commercial reactive power contracts. The total spend in H1 also includes payments made to generators to move their outages to manage the voltage in localised regions and mitigate the risk of an insecure network.

Over the last 12 months, we have continued to develop our reactive power markets to enhance competition as part of our procurement strategy.



Most notably:

- In July 2025 we launched the invitation to tender stage for the first Long-term Reactive Power Market tender 'Long-term 2029' which is competitively procuring reactive power across England and Wales from 2029 to 2039 via a long-term contract. This tender is a first-of-a-kind bundled tender with restoration and stability with the aim to help drive down costs through more optimised procurement.
- In January 2026 we launched a pre-market consultation for the Mid-term Reactive Power Market. This market will seek to competitively procure requirements using mid-term contracts (e.g. 1 year, 2 years) to cover forecasted requirements, generator and network outages. This consultation sought further industry feedback on the market design prior to market launch, demonstrating the continued industry collaboration in the development of this new market.
- Since the end of Q2, on 6 October, NESO launched this Mid-term market.

Once both reactive power markets are in use, we expect that we will be able to competitively procure a greater share of our requirements.

It is also of note that areas of higher need are not necessarily the same locations as where assets are located and able to compete for the provision of MVArS. The Southwest is a prime example of this, where limited assets mean we are limited in our ability to competitively tender for these services.



13. Future Savings from Operability Solutions

This Reported Metric outlines the forecast medium- to long-term benefits from new operability measures including:

- Saved balancing costs
- Monetised carbon reductions
- Any indicative impact on the SZCP limit

In each report we show projects concluded in the NESO1 period, with estimated benefits up to the end of contracts. In the narrative we also call out what upcoming projects are likely to be included in subsequent reports during NESO1.

HI 2026–27 performance

i. Saved balancing costs

There were no new network services projects concluding in HI 2026–27 though NESO continued to progress several ongoing tenders and preparations for future new tenders and services. These are covered in more detail in the following section.

Supporting information

Looking ahead

During HI 2026–27, round 3 of the Mid-term (Y-1) Stability Market tender continued with contract award due in Q4 2026. In addition, early stages ahead of a new tender for Constraint Management Intertrip Service have commenced with the tender launching later in 2026 with contract award in early 2027. The expected savings from both these tenders are due to be reported in the March 2027 report.

Looking further ahead, the tender for Long-Term 2029 is due to conclude in summer 2027 with this included in the September 2027 report.

Further to this, NESO is working to launch a new mid-term reactive power market to secure capability to support system voltage, and the outcomes of these will be included in future reports, along with round 4 for the Mid-Term Stability Market.

ii. Monetised carbon reductions

There were no new network services projects concluding in HI 2026–27 therefore no new figures to report.

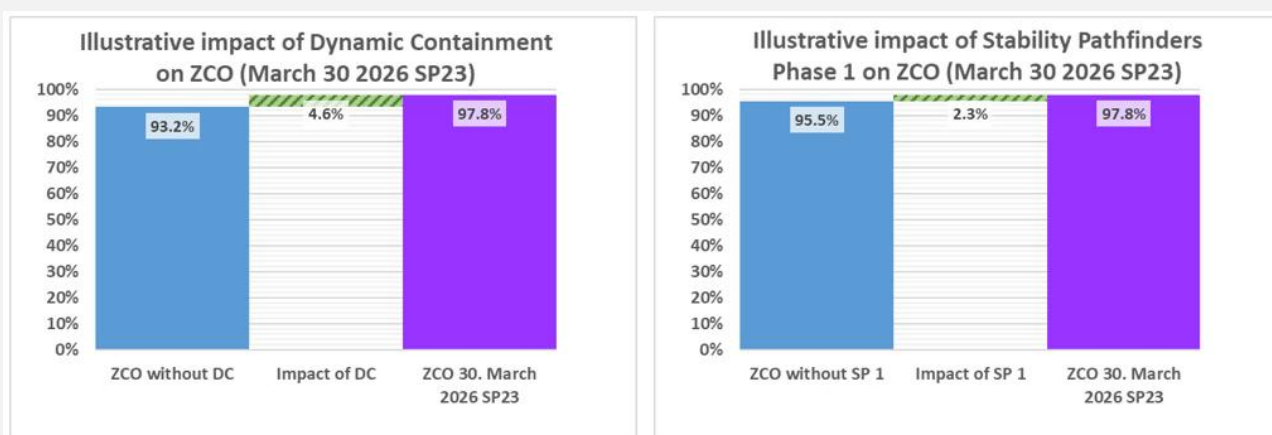


iii. Any indicative impact on the SZCP limit

As outlined in our [Operability Strategy Report 2025](#), we updated the Zero Carbon Operation (ZCO) methodology to reflect the clean power technologies as set out in the [Clean Power Action Plan](#). Under the updated methodology CHPs are excluded unless instructed by the control room (see the Zero Carbon Operability Indicator Reported Metric.)

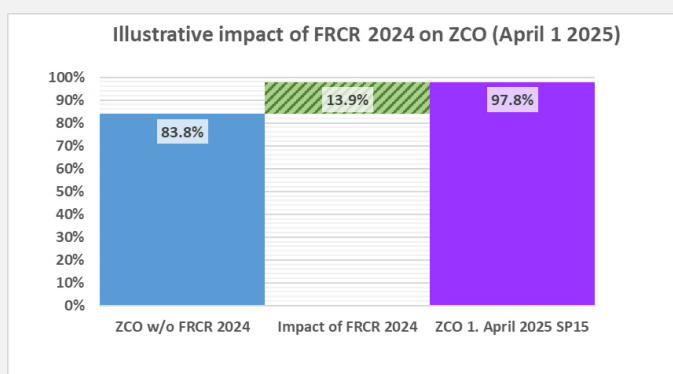
To provide examples of how NESO programmes have impacted the ZCO% achieved, we have used two settlement periods with a high ZCO%. Zero carbon operation was 97.80% during settlement period 23 (SP23) on 30 March 2026 and on April 1, 2025, in SP15.

The graphs below show how much lower the ZCO% would have been on 30 March 2026 without the delivery of Stability Phase 1 and Dynamic Containment. Each programme has been assessed independently rather than cumulatively.



- **Dynamic Containment (DC)** has significantly reduced the need to hold legacy frequency response products. Without DC, an additional 2,000MW of headroom would have been required on synchronous carbon emitting generation. This equates to 8 units at 250MW each, which would have reduced the ZCO% to 93.2%.
- **Stability Pathfinders Phase 1 (SPPH1)** procured 12.5 GVAs of zero carbon inertia, provided by synchronous condensers, eliminating the need for four synchronous fossil units equivalent to 1000MW of generation. As shown by the graph on the right, without Phase 1 the ZCO% would have been 95.5%.

The following graph shows how much lower the ZCO% would have been on 1 April 2025 without the reduced inertia threshold delivered by FRCR 2024.





The **Frequency Control and Risk Report (FRCR) 2024**, approved by Ofgem on 27 September 2024, led to the implementation of a reduction to the minimum inertia requirement from 140 to 120 GVA.s. The lower minimum inertia requirement allows the grid to operate with fewer fossil-based synchronous generators. In our illustrative example, seven additional units at 250MW would have been required in this settlement period to meet the previous requirement of 140 GVA.s. That would have reduced the ZCO(%) achieved to only 83.8%.

Impact of Current/Future Programmes

There are further programmes that are ongoing and will act as enablers for extending the range of system conditions under which zero carbon operation will be possible. These include reducing the minimum inertia requirements, procurement of zero carbon inertia and markets for zero carbon voltage management.

Reduction of minimum inertia requirements - To enable zero-carbon operation, FRCR 2025 proposed reducing the minimum system inertia requirement from 120 GVA.s to 102 GVA.s. Following submission of additional information by NESO in response to Ofgem's request for further clarification, the proposal was approved for implementation. This reduces the amount of synchronous generation required to provide inertia and therefore expands the operating conditions under which zero-carbon operation is possible.

As an illustrative example, on 1 April 2025 the system inertia in SPI5 was 121 GVA.s, only marginally above the previous limit of 120 GVA.s but 19 GVA.s above the 102 GVA.s limit. Inertia would therefore not have been the limiting factor under those system conditions. Subject to other operability requirements such as voltage control, the reduced inertia limit could have enabled further displacement of synchronous fossil-fuel generation and increased the achievable ZCO percentage.

Procuring clean sources of inertia - Stability Pathfinders have developed new markets for technologies that provide clean sources of inertia and short circuit level, reducing the need to dispatch synchronous generation such as coal, gas and nuclear solely to provide these services. Phase 2 focussed on procuring services to increase short circuit level in Scotland, while Phase 3 aimed to increase inertia and short circuit level in England and Wales. Contracts were awarded for Phase 3 in November 2022. For reference, Phase 3 procured 17.1 GVA.s which could remove the need for up to five synchronous fossil generators (1250 MW).

One of these projects connected to the grid in Pembroke in August 2026. The first of 16 synchronous condensers procured through the Stability Pathfinder programme. This brings the total inertia provided to the grid by the programme to 17.2 GVA.s, with a further 26.9 GVA.s expected to connect. By providing inertia and short circuit level from dedicated stability assets, the programme reduces reliance on synchronous fossil-fuel generation for stability services. This expands the range of system conditions under which zero-carbon operation is achievable.

Zero carbon voltage management - Our Voltage Network Services are delivering new non-fossil generating technologies for voltage management. Voltage 2026 was focussed on new reactive power absorption capability across two regions of England. Four long term contracts were



awarded to secure 646 MVar of reactive power capability across London and the North of England, saving consumers approximately £318 million over 10 years. The first of these, Thurrock BESS, connected at Tilbury and has started commercial operation, the remaining three projects are due to follow later in 2026 and 2027.

Long term procurement of bundled network services – The Long-term 2029 Tender is our first bundled procurement under both the Stability Market and the Reactive Power Market. It covers all of GB and offered providers the option to bid on one or more of these services using the same asset. Stability and Voltage services must be able to be provided at 0MW and will act as an enabler for extended zero carbon operation. This tender process is in progress.

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

www.neso.energy