



Making a positive difference
for energy consumers

To: Penny Garner / Company
Secretary
National Energy System Operator
Faraday House
Gallows Hill
Warwick
CV34 6DA

Email: NESORegulation@ofgem.gov.uk

Date: 13 March 2026

Dear colleagues,

Decision to not use our¹ powers of veto in relation to NESO's annual review of the statements outlined in Condition C9.

In accordance with Part H of Condition C9 of its Electricity System Operator Licence, National Energy System Operator (NESO) has conducted a review of the five statements set out within that Condition. The Condition C9 licence Statements are:

- Procurement Guidelines Statement (PGS);
- Applicable Balancing Services Volume Data Methodology Statement (ABSVD);
- Balancing Principles Statement (BPS);
- System Management Action Flagging Methodology Statement (SMAF);
- Balancing Services Adjustment Data Methodology Statement (BSAD).

NESO are proposing updates to all five statements. These updates generally fall into the following categories:

- Housekeeping updates, including updates to references and links;
- Updates to reflect NESO's procurement plans for 2026-2027;
- Streamlining wording and structure within the statements; and
- Alignment to the Electricity System Operator licence, clarification of the roles of NESO and Elexon.

¹ Ofgem is the Office of the Gas and Electricity Markets Authority. The terms "Ofgem", "the Authority", "we", "us" and "our" are used interchangeably in this document.

The Authority's decision

Our decision is to not use our powers of Direction under Condition C9.24 for any of the proposed revisions NESO has submitted.

In assessing the proposed revisions submitted by NESO, we considered the positions shared by industry respondents during the [formal consultation](#) conducted by NESO between 9 January and 6 February 2026, as well as NESO's replies to this consultation feedback.

In general, feedback from NESO's consultation fell into 3 categories:

- Support for the revisions;
- Suggestions to improve clarity; or
- Feedback out of scope for Condition C9

Where suggestions were made by respondents to improve clarity, NESO adopted these and updated its proposal. We note that NESO considered some feedback as out of scope for this Condition C9 consultation. We encourage the respondent to reach out to the relevant contact as directed by NESO.

We have summarised our conclusions below.

Revisions to the PGS

We agree that the changes proposed by NESO to the PGS improve clarity and correctly update the relevant sections of text to reflect the present reality.

NESO's proposals generally focused on updating services to reflect changes in procurement plans or editing text to improve clarity and bring terminology and references up to date.

Following the submission, we engaged with NESO directly to clarify proposal PGS.20. NESO subsequently updated the submitted wording to better reflect the range of options open to Ofgem as part of the ongoing derogation request. We consider the intent behind the updated wording as the same as was consulted on.

For clarity, the original submission under PGS.20 was:

"Subject to EBR Article 18 and updated derogation approval, the service will be procured at any time in a day, up to a maximum of twelve hours ahead of the start of any Service Requirement window"

NESO have since amended this revision to state:

"Subject to EBR Article 18 and updated derogation approval, the service will be procured at any time in a day, and in line with any requirements defined in the relevant existing derogation."

We agree with the newly proposed wording as it aligns NESO's intent with any future Ofgem derogation decision.

The Office of Gas and Electricity Markets

10 South Colonnade, Canary Wharf, London, E14 4PU Tel 020 7901 7000

www.ofgem.gov.uk

Revisions to the ABSVD

We consider that NESO's proposed changes to the ABSVD are appropriate.

NESO's proposals focused on streamlining the document in an effort to improve clarity and readability with a lot of the changes being structural.

Following NESO's review of the consultation, a minor amendment was proposed that improved the clarity within table 3. We agree with NESO that this amendment improves understanding for readers.

Revisions to the BPS

We support the revisions put forward by NESO in relation to the BPS. The bulk of these changes relate to wording updates that bring relevance to the statement.

In our [previous letter](#) on NESO's 2025 C9 report, we anticipated that NESO would develop the BPS in time for this submission to ensure the principles are consistent with NESO's statutory duties under Condition C9.8. This has not happened, and our expectation remains for NESO to address this swiftly. We understand that NESO maintains its commitment to engage separately with industry stakeholders on this, and we expect further engagement between NESO and ourselves once a comprehensive plan has been finalised.

Revisions to the SMAF

We consider the changes proposed to the SMAF as relevant and valid.

Besides the general housekeeping updates, NESO proposed updates to clarify its role in the development of the SMAF statement as well as clarifications on the Demand Flexibility Service.

Revisions to the BSAD

We consider that NESO's revisions to the BSAD bring clarity and relevance to the statement.

NESO's revisions focused on updating formula to remain relevant as well as updates to wording to improve clarity.

To avoid confusion, under revision BSAD.07 Note 4, NESO has clarified that "*Accepted bid volumes*" means "*Accepted DFS volumes*". We agree this clarification is appropriate.

Next Steps

As stated in NESO's report to the Authority, the proposed revisions will go live on 1 April 2026. We expect NESO to follow the outlined methodologies effective from that date.

Going forwards, we expect NESO to continue reviewing and updating the Condition C9 statements as required under its licence obligations to ensure clarity and transparency for market participants.

The Office of Gas and Electricity Markets

10 South Colonnade, Canary Wharf, London, E14 4PU Tel 020 7901 7000

www.ofgem.gov.uk

Furthermore, we expect NESO to continue developing the BPS in line with its clearly stated licence obligation under Condition C9.8. We expected NESO to consult on drafting for this as part of this current annual Condition C9 review and note that NESO committed to engagement with industry as part of their previous annual submission. Neither of these happened. We expect to see this engagement commence imminently and anticipate that changes to the BPS in line with this requirement will form part of the upcoming annual Condition C9 review.

If you have any questions or feedback on the contents of this letter, please contact the NESO Regulation team (NESORegulation@ofgem.gov.uk) in the first instance.

Yours sincerely,

Matthew Fovargue

Senior Policy Manager