



Making a positive difference
for energy consumers

To: National Energy System
Operator Limited

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Date: 31 March 2026

Directions amending the NESO Performance Arrangements Governance Document, the NESO Licence Expectations Document, and the NESO Financial Handbook.

1. The company to which these directions are addressed is the holder of an Electricity System Operator licence (“ESO licence”) treated as granted under Section 6(1)(da) of the Electricity Act 1989 and a Gas System Planner licence (“GSP licence”) granted under Section 7AA of the Gas Act 1986.
2. The Gas and Electricity Markets Authority (“the Authority”)¹ issues these directions, under:
 1. Part B of Conditions G2 (Performance reports and assessment) of the ESO licence and GSP licence to issue the NESO Performance Arrangements Governance Document;
 2. Part F of Condition C1 (General obligations on ISOP's activities) of the ESO licence and Part E of Condition C1 (General obligations on ISOP's activities) of the GSP licence to issue the NESO Licence Expectations Document; and
 3. Part B of Condition F5 (Financial Model and Handbook) of the ESO licence and Part B of Condition F4 (Financial Model and Handbook) of the GSP licence to issue the NESO Financial Handbook.

¹ The “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Gas and Electricity Markets Authority (GEMA) in its day-to-day work.

3. On 11 December 2025, the Authority published the text of the proposed NESO Performance Arrangements Governance Document, NESO Licence Expectations Document and NESO Financial Handbook on the Authority's Website² and requested that any representations be made by 26 January 2026.
4. We have received 13 responses to our consultation, which we have carefully considered. We have published the 11 non-confidential responses on our website.
5. We have carefully considered the responses, as well as the comments made during our stakeholder engagement workshops in January. Our response to the consultation is set out in our decision on the 'Implementation of NESO's enduring regulatory framework' (the "Decision Document") and the associated 'Drafting Issues Response Log'. Both these documents are published on our website on the same page as this direction letter.
6. In order to address the issues raised in the consultation response, it is necessary to make some alterations to the proposed text of the NESO Performance Arrangements Governance Document, the NESO Licence Expectations Document and the NESO Financial Handbook. We have set out these alterations from the consultation in tracked versions of each document, which are published alongside these directions. The clean versions of each document are published on separate, dedicated webpages on our website.
7. The reason for these directions is to issue and put into effect the versions of the NESO Performance Arrangements Governance Document, the NESO Licence Expectations Document and the NESO Financial Handbook that will apply under NESO's enduring regulatory framework.³ Please see the Decision Document for more details.
8. These directions and the Decision Document to which they are annexed is our notice of the reasons for our decision pursuant to section 49A of the Electricity Act 1989 and section 38A of the Gas Act 1986.
9. Now the Authority, pursuant to Conditions G2.7 (Performance reports and assessment) of the ESO licence and GSP licence hereby directs that the NESO Performance Arrangements Governance Document is amended as published on our website on 31 March 2026 and will have effect from 1 April 2026.

² [Implementation of NESO's enduring regulatory framework](#)

³ We are making these changes in line with our [Decision on the enduring regulatory framework for NESO](#) which we published in August 2025.

10. Now the Authority, pursuant to Condition C1.9 (General obligations on ISOP's activities) of the ESO licence and Condition C1.7 (General obligations on ISOP's activities) of the GSP licence hereby directs that the NESO Licence Expectations Document is amended as published on our website on 31 March 2026 and will have effect from 1 April 2026.
11. Now the Authority, pursuant to Condition F5.9 (Financial Model and Handbook) of the ESO licence and Condition F4.9 (Financial Model and Handbook) of the GSP licence hereby directs that the NESO Financial Handbook is amended as published on our website on 31 March 2026 and will have effect from 1 April 2026.

David Beaumont

Head of NESO Framework Development

Energy Systems Management & Security

Signed for and on behalf of the Gas and Electricity Markets Authority

31 March 2026