

NESO storage behind constraints feedback

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Electricity Storage Network

The **Electricity Storage Network (ESN)** is the industry group and voice for grid-scale electricity storage in GB. The ESN has 100 members who have a mission to promote the use of energy storage and flexibility to support the net-zero transition. The ESN membership includes clean energy developers, owners, investors, optimisers, and academic institutions. This includes representation from publicly listed specialist funds focusing on storage and independent developers that have raised several billion pounds to invest in this new technology.

This response is based on input from our members involved in developing grid-scale electricity storage projects in GB, as well as feedback received via our Markets and Revenues working group.

About Regen

Regen manages the ESN. Regen provides independent, evidence-led insight and advice supporting our mission to transform the UK's energy system for a net zero future. We focus on analysing the systemic challenges of decarbonising power, heat and transport. We know that a transformation of this scale will require engaging the whole of society in a just transition.

Regen is also a membership organisation, managing the Regen members' network and the Electricity Storage Network (ESN). We have over 200 members who share our mission, including clean energy developers, businesses, local authorities, community energy groups, academic institutions, and research organisations.

Continuing engagement

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Summary and general views

The Electricity Storage Network (ESN) welcomes the opportunity to provide feedback. The Electricity Storage Network has been engaging extensively in discussions regarding the issue of repetitive re-trading of storage and NESO's operational review. The points made in those meetings and workshops – as well as feedback from bilateral conversations with members – have fed into our response.

We are increasingly concerned that this operational review and several other significant market reforms are being developed in isolation, despite their combined impact on storage projects. Taken together, reforms to national pricing, locational procurement of response and reserve services, network charging, CMP470, BSC P462 and repetitive re-trading solutions could fundamentally reshape the commercial and operational environment for storage. In addition, Window one LDES projects, many of which are in northern Scotland (67% of power capacity), will be particularly impacted by network charging reform, BSC P462 and changes to the treatment of repetitive re-trading.

Without a coordinated approach, there is a real risk that individual reforms create conflicting investment signals, increase complexity and lead to unintended consequences that undermine confidence at a time when rapid deployment of storage is essential to meet Clean Power 2030 targets. [Recent research by LCP Delta](#) suggests GB is not on track to meet its deployment targets for battery storage by 3 GW.

ESN therefore believes there is an urgent need for a holistic review of the policy and market framework for storage projects. This should assess how these reforms interact, establish a clear direction for implementation and provide investors with greater certainty over the future market landscape.

Recommendation: DESNZ, Ofgem and NESO should undertake a holistic review of the policy and market framework for storage, assessing how national pricing, locational procurement, network charging, CMP470, BSC P462 and repetitive re-trading reforms interact, to establish a clear direction for implementation.

In addition to a more holistic approach to policy, we also highlight the need for a holistic approach to assessing the system and consumer benefits (and costs) of storage projects. A [recent Modo Energy analysis](#) found that Scottish batteries saved consumers £30 million between December 2024 and April 2026 when this approach is applied. This is very different to the siloed NESO analysis in the Reformed National Pricing call for input and the NESO storage behind constraints webinar slide deck, which focuses on repetitive re-trading costs; the latter of which outlines £58m to £98m in additional balancing costs in calendar 2025, growing around 50% year on year. This analysis also stated that 80% of this balancing cost is attributable to pumped hydro, and 77% of BESS actions were related to some form of response or reserve service contract.

Recommendation: NESO to establish a more holistic approach to assessing the costs and benefits of storage behind constraints.

The options under consideration have a disproportionate impact on Longer Duration Energy Storage projects, given that 79% of the energy capacity in Ofgem’s minded-to decision is to be based in Scotland. If some of the options are implemented, then this could cause projects to be at the floor level more often, increasing costs for consumers through more floor payments. This impact does not seem to be part of the storage behind constraints operational review by NESO.

Recommendation: NESO to ensure that the disproportionate impact on LDES projects is included in any repetitive re-trading option decision-making.

Responses to the options feedback form

Question 3: What do you see as the strengths and weaknesses of Option 3A?

The only strength of Option 3A we have identified is the ease and speed of implementation. However, the weaknesses outweigh this strength. Several members have highlighted that NESO has not provided sufficient evidence that Option 3A will reduce the costs of repetitive re-trading. Our members also highlighted that Option 3A has been found to increase overall costs (e.g., a recent Modo Energy analysis) and to increase carbon emissions from the additional curtailment of wind generation. NESO also accepts that Option 3A “does not fully resolve the issue” in the slide deck used in the storage behind constraints workshop.

Our members are also concerned to hear comments from NESO regarding Option 3A, which suggested that, if implemented, storage would be able to align with wholesale market price signals, maintaining storage’s ability to import/charge during a constraint. [Analysis by Modo Energy](#) and others has shown that the wholesale market price signal to import is not well aligned with constraints, meaning that storage would not behave as NESO suggests.

In summary, as we have already highlighted to NESO, our members do not agree with the implementation of Option 3A and are concerned about NESO’s view that there is support for it during the industry workshops.

Recommendation: NESO should disregard Option 3A as a short-term option for repetitive re-trading.

Question 4: What do you see as the strengths and weaknesses of Option 3AA?

From our engagement, member sentiment favours Option 3AA over 3A, but several stress that it is an interim step at best, ahead of an enduring option, and that it should be time-limited. Members’ general view is that 3AA is the more proportionate and equitable of the two options, since it targets the export behaviour driving repetitive re-trading while retaining the system

value of storage charging behind constraints. On balance, we do not feel there is enough support to recommend this as an option to be taken forward (see answer to Question 5).

Question 5: Taking all factors into account, which option would you recommend taking forward and why?

Our members highlighted that [Ofgem's new policy on repetitive re-trading](#), published in June, has clarified the role of Transmission Constraint Licence Conditions and REMIT regulations. Combined with existing market monitoring from NESO and Ofgem, plus the sector's updated self-governance, this new policy is likely to prompt a change in approach. Given its potential impact, a short-term solution may not be needed.

Recommendation: NESO to continue to monitor market/asset behaviour with Ofgem following the publication of the new Ofgem policy on repetitive re-trading.

We recommend that NESO take forward an option that delivers an enduring solution to the underlying problem, rather than a short-term or interim fix such as Option 3A or Option 3AA.

Our concern is that NESO risks making a knee-jerk decision under time pressure, opting for a quick fix that does not resolve the root cause and instead defers the harder decision to a later date. Storage projects are financed under multi-year floor and toll agreements that include specific revenue and market design assumptions. A stopgap arrangement introduces regulatory uncertainty and undermines business cases at a crucial time for deployment.

Compounding this, there is no clarity in the current proposals on how long any short-term fix would remain in place before an enduring solution is implemented. Without a defined timeline, a published review point, or a firm commitment to transition to a permanent arrangement, there is a real risk that what is billed as an interim measure becomes the de facto long-term position by default, simply because it is easier to leave in place than to revisit. This would leave the underlying problem unaddressed indefinitely while still imposing the costs and distortions associated with a short-term fix.

On behalf of our members, we would urge NESO to prioritise finding an enduring option after a transparent CBA that tackles the problem for the long term, rather than short-term fixes.

Recommendation: NESO to prioritise identifying an enduring solution assessed via a transparent CBA, rather than short-term options (e.g. Option 3A)

Option 6A

Our members do not have a consensus on which enduring option they would prefer. Option 6A, the Capacity Reserve Market, is the frontrunner based on our initial member engagement. As a sector, there is generally support for open, competitive, market-based solutions to system challenges ahead of delivery (e.g. frequency response).

Option 4B

There are mixed views among our membership regarding Option 4B, GTMA Schedule 7A Expansion. Some raised concerns about the transparency of the existing trades. NESO has also raised concerns regarding this option. Our members highlighted that with improved workflows to reduce resource needs, more open data, and additional monitoring to maintain competition among assets and technologies, some of these concerns can be managed.

Option 4A has been deprioritised in the NESO Constraints Collaboration project, so it should be removed as an option. Options 5A and 5B should be continued under the current programme as outlined.

Question 6: Should we be considering anything else in the short term? If yes, what and why?

Accelerating locational procurement of response and reserve services stands out as one of the few near-term measures with genuine cross-industry support. Several members note that it is a partial rather than a complete solution, and one flags that its benefit depends on implementation details.

Recommendation: NESO to accelerate the locational procurement of response and reserve services.