

TECHNICAL NOTE · CE-NOTE-2026-04

Where the balancing money goes: Great Britain's balancing costs by technology, region and company

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Key findings

- NESO's balancing costs were £2.43bn in 2025/26. NESO classed 91% of that as constraint management. Most of it, 81% of the total, was for thermal constraints: paying plants to change output because the network could not carry their power to where it was needed.
- In the Balancing Mechanism, generators, storage and other units were paid £2.47bn and paid back £287m, a net £2.18bn. That is 90% of NESO's total.
- Most of the money went to gas plants in England and Wales, paid to increase output: £1.76bn, or 71% of gross payments. Scottish wind farms were paid £387m to reduce output by 10.9 TWh, an average of £35 for each MWh not generated.
- Payments are concentrated. Ten Elexon lead parties received 64% of the gross and twenty units received 55%.
- A payment is not a profit. Accepted gas offers averaged £123/MWh when the wholesale index stood at £72/MWh in the same half-hours. Over the year the system paid £728m above the market value of that energy. Fuel, carbon and start-up costs are not netted off, so this is not margin.
- Costs are rising fast. April to September 2026 cost £1.63bn, 52% more than the same months of 2025. September 2026 alone cost £505m, the highest of the 30 months since April 2024.

1 How balancing works

Britain's wholesale market settles one national price, as if the grid could carry any amount of power anywhere. Generators and suppliers trade ahead of time on that basis. From an hour before delivery, NESO takes over and adjusts what plants are doing so that supply meets demand second by second and no circuit is overloaded. Most of those adjustments go through the Balancing Mechanism (BM).

Each unit in the BM submits two kinds of price. An *offer* is the price at which it will increase output. A *bid* is the price at which it will reduce output. NESO accepts what it needs, and every acceptance is paid at the price the unit submitted. Elexon settles these payments and publishes them unit by unit for every half-hour (Elexon 2026c; Elexon 2026b).

Bids cause most of the confusion. A gas plant told to cut output saves fuel, so it bids a positive price and pays NESO back. A wind farm told to cut output loses income it earns per MWh generated, such as Renewables Obligation certificates, so it bids a negative price and is paid to stop.

Constraints drive the bill. Much of Britain's wind is in Scotland and much of its demand is in England. When the boundaries between them, B6 at the border and others inside Scotland, cannot carry all the power, NESO pays wind behind the boundary to turn down. It then has to replace that energy on the other side, usually by paying gas plants in England to turn up. Consumers pay for both halves through Balancing Services Use of System charges.

2 How big the bill is

NESO publishes its balancing costs by category for every half-hour (National Energy System Operator [2026c](#)). In 2025/26 they came to £2.43bn, of which £2.21bn was constraint management. Within that, thermal constraints (lines running at their limit) cost £1.96bn, voltage support £212m and keeping enough inertia on the system £41m (National Energy System Operator [2026b](#)). Reserve, response, energy balancing and other costs make up the remaining £215m. Energy imbalance nets to £9m over the year, because costs when the system was short largely offset receipts when it was long.

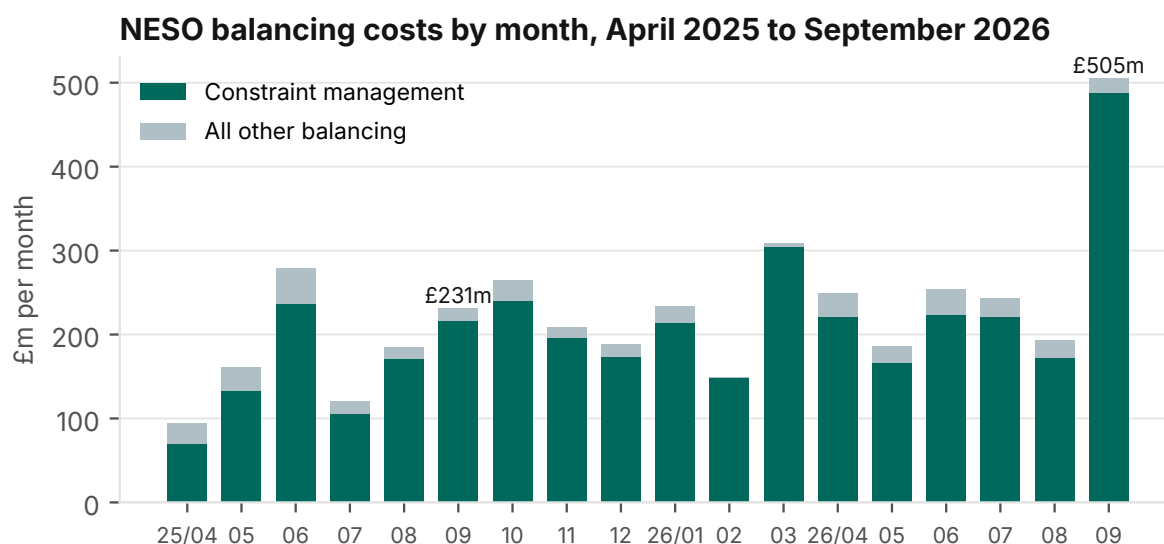


Figure 1. NESO balancing costs by month. Constraint management is the large majority in every month. September 2026 cost £505m. In NESO's data back to April 2024 the next highest month is March 2026 at £309m. The 2025/26 monthly average was £202m. Source: National Energy System Operator ([2026c](#)).

NESO's categories describe why money was spent. They do not say who received it. For that we go to Elexon's settlement data.

3 Where the money went

Summing Elexon's indicative cashflows for every BM unit and half-hour in 2025/26 gives £2.47bn paid to units: £2.04bn in offers and £432m in bids where the unit was paid to turn down. Units paid back £287m when they were turned down, £161m of it from gas plants saving fuel. The net, £2.18bn, is 90% of NESO's total. The remaining tenth includes services NESO buys outside the BM, which public data cannot tie to units. The two series are compiled differently and do not match day by day.

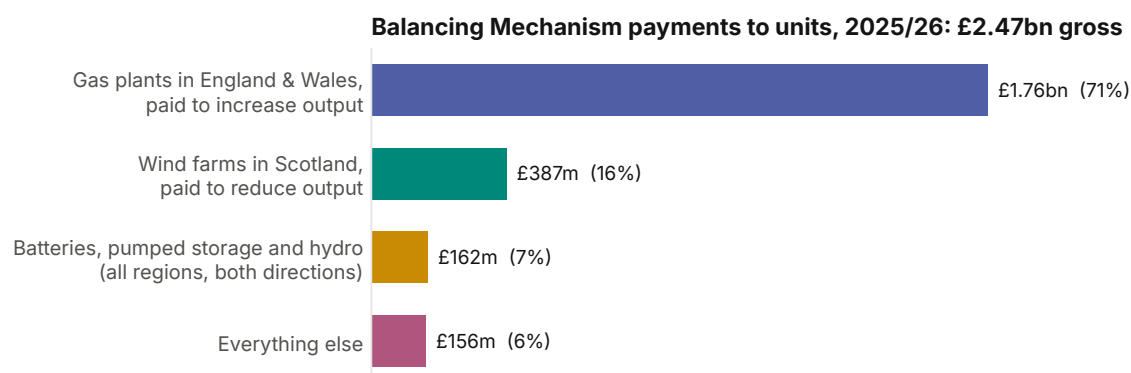


Figure 2. Gross Balancing Mechanism payments to units, 2025/26. Gross means offers paid plus bids where the unit was paid to turn down. Source: CE analysis of Elexon (2026c).

The split by place follows the constraint story. Units in England and Wales received 82% of gross payments, mostly as gas offers. Scottish wind received 95% of all payments made to wind farms to reduce output.

Region	Technology	Offers paid (£m)	Bids paid to unit (£m)	Bids paid by unit (£m)	Net received (£m)
North of Scotland	Wind	0	315	2	314
	Gas	4	0	39	-36
	Storage and hydro	9	15	58	-34
	Other	0	0	2	-2
South of Scotland	Wind	0	72	0	72
	Storage and hydro	12	5	8	9
	Other	5	1	2	4
England & Wales	Gas	1,764	0	122	1,642
	Other	119	2	23	99
	Storage and hydro	120	1	29	92
	Wind	4	20	0	24

Table 1. Balancing Mechanism cashflows by region and technology, 2025/26, £m. Region is the transmission owner area at the point of connection, from the TEC register, or the Elexon GSP group for embedded, supplier and aggregator units. Source: CE analysis of Elexon (2026c); regions from National Energy System Operator (2026e).

The wind numbers are smaller than many people expect. Turning wind down cost £407m for 11.1 TWh in 2025/26. Paying gas plants in England and Wales to turn up cost £1.76bn. Gas offers are the largest single item in the Balancing Mechanism, so when gas offer prices rise the balancing bill rises with them. Section 6 shows that happening in 2026.

4 Who was paid

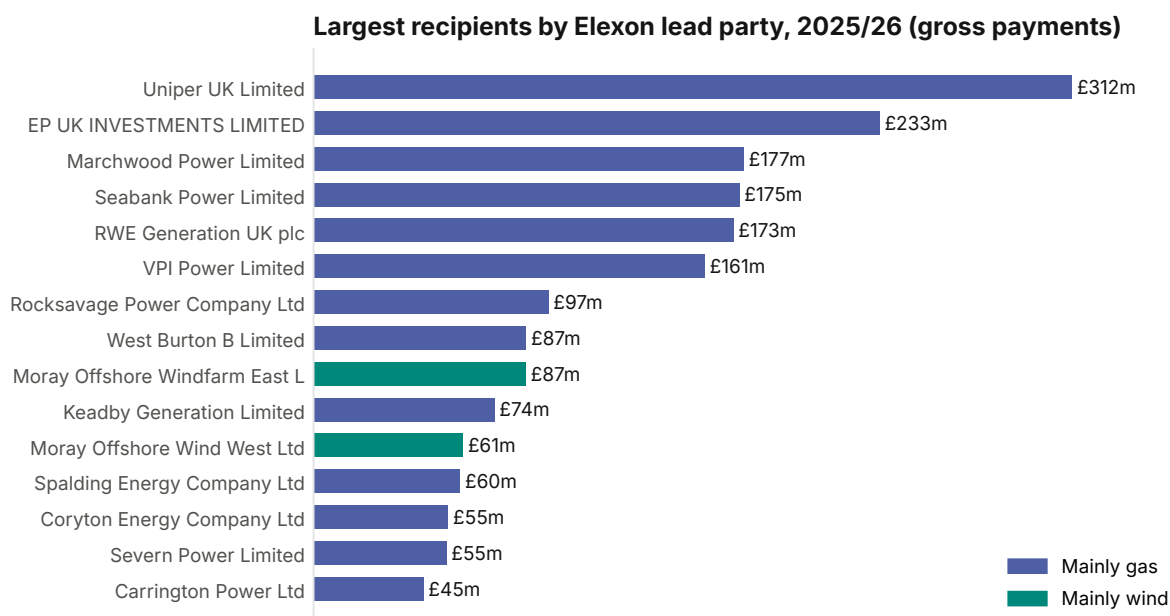


Figure 3. The fifteen largest recipients by Elexon lead party, 2025/26, gross payments. The lead party is the company registered to trade the unit. It is often a project company, and it is not necessarily the owner. Source: CE analysis of Elexon (2026c).

156 lead parties received payments. The top five took 43% of the gross and the top ten 64%. Among gas units, the ten largest recipients took 53% of everything paid to gas. These figures are by registered lead party. Several lead parties belong to the same group, and joint ventures share ownership in ways the registration does not show. Merging registrations that share an owner could only raise these shares. Splitting joint ventures between owners could lower them. Both need company-by-company work this note does not attempt.

NESO marks some acceptances with a system flag when it takes them for a reason other than energy balance, such as a network or voltage constraint. Joining Elexon's acceptance volumes to those flags shows that 97% of payments to wind farms to turn down were system-flagged. For gas offers the share is 39%, and it varies a great deal by plant. Several of the largest recipients, including units at Marchwood, Langage and Seabank, were flagged for most of their payments. Others were flagged for very little. The flag records why NESO took each action. NESO compiles its cost categories separately, and they put a larger share of the total under constraints than the flags on gas offers alone would suggest.

Unit	Lead party (Exelon)	Fuel	Region	Paid (£m)	£/MWh	Flagged
MRWD-1	Marchwood Power Limited	Gas	E&W	177	129	68%
LAGA-1	EP UK INVESTMENTS LIMITED	Gas	E&W	122	165	77%
SEAB-1	Seabank Power Limited	Gas	E&W	110	143	61%
ROCK-1	Rocksavage Power Company Ltd	Gas	E&W	97	115	12%
DAMC-1	VPI Power Limited	Gas	E&W	87	121	5%
SHBA-1	EP UK INVESTMENTS LIMITED	Gas	E&W	85	109	10%
KEAD-2	Keadby Generation Limited	Gas	E&W	70	104	22%
SHOS-1	VPI Power Limited	Gas	E&W	65	112	22%
GRAI-7	Uniper UK Limited	Gas	E&W	65	108	23%
SEAB-2	Seabank Power Limited	Gas	E&W	65	156	94%
SPLN-1	Spalding Energy Company Ltd	Gas	E&W	60	114	17%
COSO-1	Coryton Energy Company Ltd	Gas	E&W	55	109	1%
GRAI-6	Uniper UK Limited	Gas	E&W	54	110	17%
CDCL-1	Uniper UK Limited	Gas	E&W	50	106	20%
GRAI-8	Uniper UK Limited	Gas	E&W	49	109	21%
WBURB-3	West Burton B Limited	Gas	E&W	32	108	29%
WBURB-2	West Burton B Limited	Gas	E&W	31	107	15%
SVRP-20	Severn Power Limited	Gas	E&W	31	130	54%
MOWEO-1	Moray Offshore Windfarm East L	Wind	N Scot	30	44	100%
MOWEO-2	Moray Offshore Windfarm East L	Wind	N Scot	29	45	99%

Table 2. The twenty units with the largest gross payments, 2025/26. Price is the average accepted offer for units paid mainly to increase output, and the average payment per MWh not generated for units paid mainly to reduce it. Flagged is the share of that cashflow, pro rata by volume, from system-flagged acceptances. Lead party names are as registered with Exelon. Source: CE analysis of Exelon (2026c).

5 A payment is not a profit

Gross payments show who was paid. Who benefited depends on costs. A gas plant paid £123 for a MWh still has to buy the gas and the carbon allowances to make it, and starting a plant at short notice costs money. A wind farm paid to stop gives up income it would otherwise have earned.

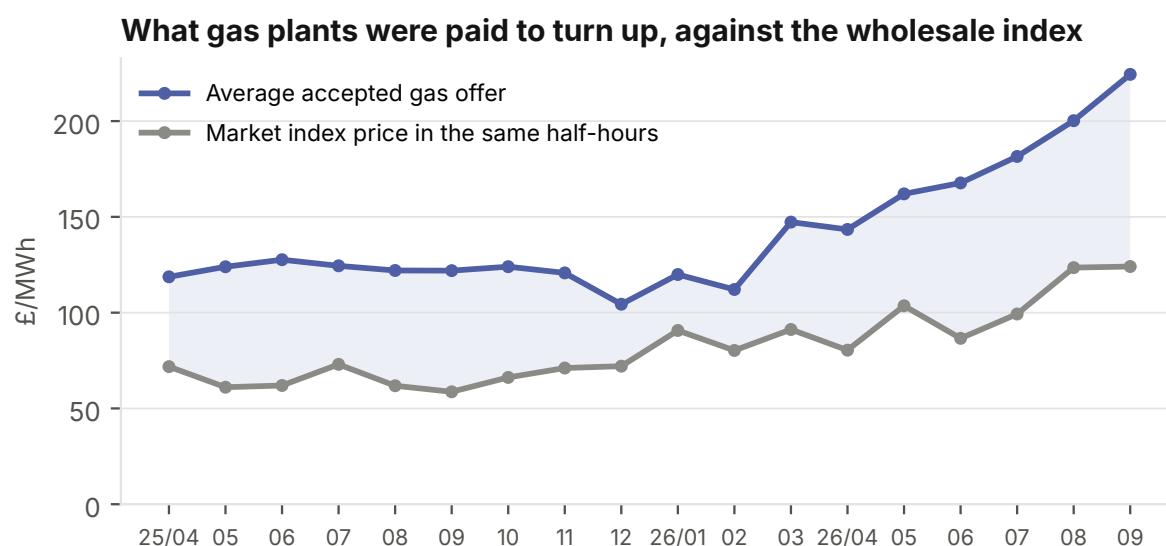


Figure 4. Volume-weighted average accepted gas offer by month, against the Exelon market index price in the half-hours when those offers were accepted. Source: CE analysis of Exelon (2026c).

The closest public yardstick for gas is the wholesale market index. In the half-hours when gas

offers were accepted in 2025/26, the index averaged £72/MWh, while the offers averaged £123/MWh. Valued at the index, the 14.4 TWh of gas offers would have cost about £728m less. That gap is what the system pays to buy energy at short notice in a particular place. Turning it into margin needs plant-level fuel, carbon and start-up costs, which are not published.

For wind the yardstick is the support it gives up. Turn-down payments to wind averaged £37/MWh in 2025/26. Through the Transmission Constraint Licence Condition, Ofgem checks whether generators take an excessive benefit from constraints. Since 2023 it has secured payments for breaches from the Beatrice offshore wind farm (£33.14m) (Ofgem 2024a), EP SHB's South Humber Bank gas-fired power station (£23.63m) (Ofgem 2023b), SSE Generation for Foyers pumped storage (£9.78m) (Ofgem 2023c), Drax Pumped Storage for Cruachan (£6.12m) (Ofgem 2023a) and the Dorenell wind farm (£5.53m) (Ofgem 2024b). Ofgem fined SSE and EP SHB, and EP SHB's penalty went to Ofgem's Energy Redress Fund. Beatrice, Drax Pumped Storage and Dorenell paid into the redress fund without a formal penalty. An investigation into Moray East offshore wind farm, opened in April 2025, was still open when we checked on 14 October 2026, and opening it implies no finding (Ofgem 2025).

6 Why 2026/27 is costing more

April to September 2026 cost £1.63bn, against £1.07bn in the same months of 2025. The volume of gas offers rose by about a fifth, from 6.3 to 7.5 TWh. The price rose much more, from £124 to £182/MWh, and gas offer payments went from £783m to £1.36bn. The wholesale index in the same half-hours moved from £63 to £103/MWh, so offers have risen with wholesale prices and the gap between the two has widened.

Wind went the other way. Turn-down volume rose from 4.3 to 5.3 TWh while payments fell from £194m to £165m, so wind farms were paid less per MWh to stop. NESO's BSUoS forecast for August 2026 raised its constraint cost forecast because many boundary limits are lower, the result of a challenging transmission outage plan (National Energy System Operator 2026a).

7 What would change it

The lasting fix is network. Two 2 GW subsea links from Scotland to England, Eastern Green Links 1 and 2, are due to be operating by 2029 (SP Energy Networks and National Grid Electricity Transmission 2026; National Grid Electricity Transmission 2026). Until then the B6 boundary and those inside Scotland are likely to keep binding on windy days. The other lever is market design. The Government rejected zonal pricing in July 2025 and chose reformed national pricing, with changes to network charges, the Balancing Mechanism and constraint management (Department for Energy Security and Net Zero 2025). Under any design the congestion remains, and the design decides who sees its cost.

8 Method, checks and limits

Data. Elexon indicative Period BM Unit bid and offer cashflows and accepted volumes for every unit and published settlement period from 1 April 2025 to 11 October 2026; acceptance-level volumes (BOAV) joined to acceptance records (BOALF) for the system flag; the APX market index; and the BM unit register (Elexon 2026c). NESO daily balancing costs and constraint breakdown (National Energy System Operator 2026c; National Energy System Operator 2026b). For transmission-connected units, regions come from the TEC register's host transmission owner, matched by unit name above a similarity threshold. Units the match could not place were assigned by hand, which covers every transmission unit with at least £0.25m of payments. Most hand assignments cite a named TEC record. Offshore wind farms connected through an offshore

transmission owner take the onshore region of their landfall, and three batteries with no TEC record take their published site location. Embedded, supplier and aggregator units use their Elexon GSP group. Units we could not place account for 0.02% of gross payments. Fuel type follows Elexon's register, with unit and lead party names, and National Grid's battery naming, used where the register is blank. About forty small peaking engines with no registered fuel type, mostly gas-fired, sit outside the gas figures (about £14m of offers). Batteries that trade through supplier units are counted under everything else.

Checks. Volume signs hold for every row: offers positive, bids negative. No unit appears twice in a period. Rebuilding one gas unit's day from its submitted prices and acceptance volumes matched Elexon's cashflow to within 0.2%. Acceptance-level volumes reconcile with the period totals to within 0.05%. Cashflow with no accepted volume is 0.02% of the money. In 2025/26, 99% of wind bid cashflow was paid to the unit and almost all gas bid cashflow was paid by the unit, as the economics require. Every number in the note was recomputed independently from the raw files before publication.

Limits. The settlement data are indicative and will be revised slightly in reconciliation runs. Both Elexon and NESO data miss a handful of settlement periods, none of them material. Contracted services outside the BM are not attributed. The system flag is applied pro rata within a unit's half-hour, which is exact for single-acceptance periods and an approximation otherwise. Lead party is not owner. The wholesale index is a market price for the energy and says nothing about a plant's costs.

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