Call for Input Playback

16 July 2026

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National Energy System Operator

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Introduction

Purpose of today

- Share the feedback we received from the Call for Input on balancing, settlement and dispatch reform
- Set out our next steps and plans for assessment of the reforms
- Live Q&A

Agenda

Item	Detail	Time	Who
Context	• Status of the programme	10 mins	Cian McLeavey-Reville
CFI feedback	• Principles and challenges • Balancing reform • Dispatch reform	40 mins	Danny Taylor; Lizzie Timmins; Maitreya Dange; Gavin Robson; Stuart Miller
Next steps	• CBA approach	10 mins	Sebastian Campos
Q&A	• Live Q&A with our panel	30 mins	NESO panel

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Context

Three pillars of RNP

Siting and investment	Led by NESO Balancing, Settlement & Dispatch	Network constraints
Align siting and investment levers across the power system behind the SSEP.	Reforms to balancing and settlement arrangements to increase operational efficiency.	Additional action to bear down on both the volume and cost of network constraints.

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Context

Three pillars of RNP

Led by NESO

Siting and investment	Balancing, Settlement & Dispatch	Network constraints
Align siting and investment levers across the power system behind the SSEP.	Reforms to balancing and settlement arrangements to increase operational efficiency.	Additional action to bear down on both the volume and cost of network constraints.

Call for Input

- Gather industry feedback and views on the balancing, settlement and dispatch reforms through the Call for Input
- Set up an Industry Expert Panel which will help shape the reforms and their implementation

Assessment of reforms

- Review and incorporate Call for Input responses into our assessment
- Work with industry to undertake Cost-Benefit Analysis and an implementation assessment of the balancing reforms
- Extended stakeholder engagement through the Industry Expert Panel, bilateral engagements and general sessions like today.
- Determine case for dispatch reform and develop reform options for assessment

Recommendation

- Provide a recommendation to the RNP programme, considering the CBA, implementation assessment, and industry engagement.
- Results of CBA and implementation assessment will be publicly available.
- Decision making will be taken by Ofgem and the Secretary of State.

We are here

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Call for Input Feedback

Principles and challenges

Reform principles in the CFI

- Efficient operational signals and incentives
- Clear handover of balancing responsibility between market participants and the System Operator
- Secure and efficient operation of the system

Challenges to address

- Operability and cost challenge from increasing redispatch
- Insufficient visibility of, and access to, balancing resources
- Overlap between the wholesale market and balancing
- Distorted wholesale price signals, and incentives to exacerbate system constraints

Stakeholder feedback

Respondents broadly agreed that the principles provide a sufficient framework for reform, but trade-offs need to be handled explicitly with clear prioritisation.

Many organisations highlighted the need for additional principles, such as proportionality, consumer value, and investment confidence.

Limited visibility of distributed assets, wholesale and balancing market misalignment, and strategic behaviour were viewed as secondary amplifiers rather than root causes of redispatch.

Proposed changes to reform principles

- Added a new 'whole-system value' as a principle in our assessment of the reforms, to reflect that the assessment is not focused solely on system operator impacts and/or balancing costs.

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Lower Balancing Mechanism threshold

Stakeholder feedback

- Support for the aim, with strong feedback on phasing, NESO–DSO coordination and improvements to BM registration
- General support for lowering the threshold to 10MW with visibility only below 10MW, down to 1MW
- Feedback on retrospectivity, and concerns with proportionality for small participants

Current high-level design

Phase 1	Phase 2	Phase 3
30MW	**10MW**	**Retrospectivity + 1MW visibility**

Outstanding questions

- What does visibility look like for smaller participants?
- How are retrospective costs and funding handled?
- How can aggregators be used to support the aims of the reform, ensuring information is still useful?

Design options and next steps

- Continue NESO impact assessment to determine feasibility of different design options
- Consideration of different BM access routes and which is most appropriate
- Consideration of phasing to ensure industry and NESO readiness, particularly regarding retrospectivity

Final Physical Notifications match Traded Positions

Stakeholder feedback

- Strengthen enforcement of FPN Accuracy Guidance, including escalation for habitual poor performance
- Use Information Imbalance Charges as a price-based incentive, rather than a trading restriction
- Stakeholders support better visibility - but not a rigid rule that distorts positions

Operational visibility — **Participant flexibility**

- Respondents preferred portfolio-level matching to the unit-level option if the proposal proceeds, because of it reduced implementation complexity.

Outstanding questions

- How should the reform apply to non-BM participants, aggregators and assets that do not currently submit PNs?
- Should different requirements apply to dispatchable and intermittent technologies, and if so, how should they differ?

Design options and next steps

- Consider control-room improvements to enhance visibility of wholesale market trading data.
- How to avoid double penalisation where imbalance pricing and non-compliance mechanisms overlap.

Align Market Trading Deadline with Gate Closure

Stakeholder feedback

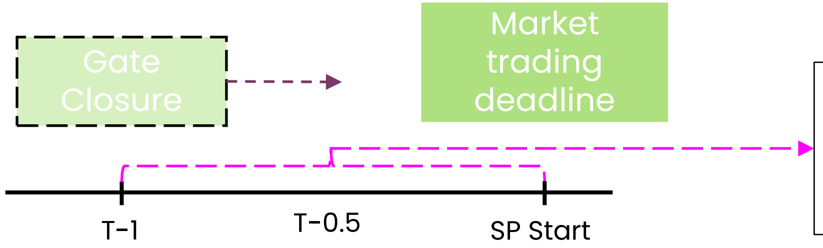
- Same results could be achieved by lowering BM threshold combined with improved PN accuracy
- This reform reduces a participant's ability to self-balance and increases forecast, operational and imbalance risk
- This reform could push more actions into the BM, raising system and consumer costs
- Many respondents suggested shortening the gate closure in line with the European market.

Outstanding questions

- What safeguards would be needed to avoid disproportionate impacts on intermittent renewables, DSR, flexibility providers, non-physical traders, and off-takers?

Design options and next steps

- NESO will explore improvements to baseline data accuracy, building on existing initiatives and aligning with FPN=traded position reform to assess how traded positions could support more efficient dispatch decisions



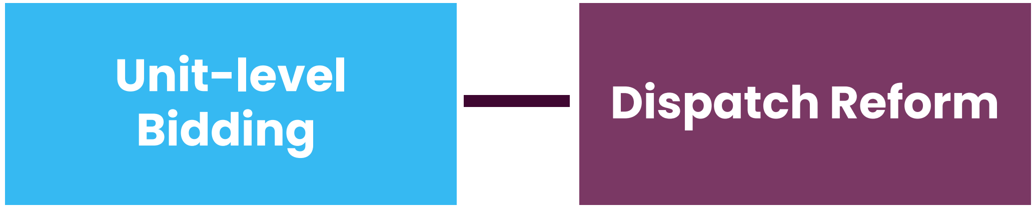
- Given current levels of redispatch, reducing the Gate Closure window below 1hr before delivery is not currently considered feasible
- Though this may be explored through the Dispatch Reform workplan

Unit Bidding

Stakeholder feedback

- Unsupportive of the reform. Many feel the case for change is not well evidenced.
- Weakening portfolio based self-dispatch without a clear or quantified reduction in balancing costs.
- While visibility and monitoring benefits are recognised, confidence that unit-level bidding delivers greater value than incremental alternatives is low.

Link to dispatch reform



Outstanding questions

- What is the scope for improved market monitoring using already existing data?
- Are the benefits proportionate to the implementation risks?

Design options and next steps

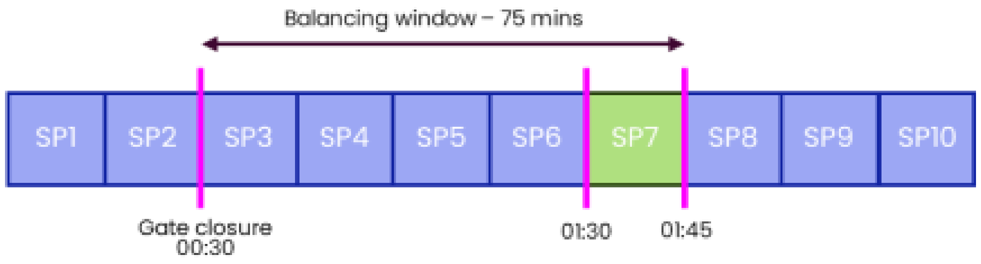
- Quantify the potential benefits and implementation impacts of unit bidding.
- Aligned with the dispatch reform timeline to maximise evaluation of synergies and benefits.

Shorter Settlement Period

Stakeholder feedback

- Broad conceptual support for shorter settlement, recognising benefits for flexibility and reduced imbalance volumes/costs.
- 15-minute SP is the preferred option, offering IEM alignment and lower implementation costs; Not much support for 5-minute SP (only from storage/flexible assets).
- Suggest staged implementation with 15-minute SP initially and a later go/no-go decision on 5-minute SP

Illustrative example of 15-minute SP



Outstanding questions

- A significant metering investigation is required
- Balancing sequencing and implementation trade-offs for 15 vs 5
- Understanding market impacts on liquidity, volatility, imbalance risk, and impacts on demand-side from phased implementation

Design options and next steps

- Continue assessment of 15 and 5-minute SP to identify relative costs and benefits
- Continue implementation assessment to further understand implications for operating systems, metering, etc
- Determine most cost-effective route for phased implementation

Dispatch Reform

Stakeholder feedback

- Respondents were unsupportive of any dispatch reform that could be categorised as Central Dispatch
- On a move to a more hybrid style dispatch, views were more mixed.
- Regardless of position, respondents were clear that any changes to dispatch arrangements needed to demonstrate clear benefits over the status quo.

Outstanding questions

- Is there a demonstrable case for change for dispatch reform above the current RNP package?
- What dispatch models should be considered for further development and assessment?
- How does dispatch reform interact with any changes to European IEM arrangements?

Design options and next steps

- Further develop and detail the case for change
- Future engagement with industry
- Develop design options for assessment

Next steps

Prioritisation of the balancing reform package

The strategy emerging from the industry feedback obtained from the CfI is to assess the balancing reforms using a stand-alone and package approach.

We have proposed to model a combination of options based on:

- Expected balance of costs and benefits
- Interactions between the reform options
- Implementation considerations
- CfI feedback

This is under consideration as stakeholder engagement evolves, and discussion with DESNZ and Ofgem.

We believe these assessments allow us to test a manageable number of combinations and additional sensitivities.

Individual options:

- Lower BM threshold
- Shorter settlement period

Package 1 - Increase visibility and coordination:

- Lower the BM threshold + shorter Settlement Period + visibility of traded positions

Package 2 - Increase market behaviour change & compliance:

- Lower the BM threshold + shorter Settlement Period + FPNs match traded positions (portfolio) + align market trading deadline with Gate Closure

Unit-bidding

- CFI feedback suggests that the evidence base is not clear on the case for unit-bidding
- Given this, we propose to better establish the potential scale of the problem/inefficiency from strategic behaviour around constraints, alongside assessing high-level implementation costs
- This approach will determine the value of pursuing unit bidding as part of balancing reform.

Next steps

- Results of CBA and Implementation Assessment on the Balancing Reforms are expected late 2026.
- Continuous engagement through the Industry Expert Panel and Bilateral engagement will be held during the whole assessment period.
- As part of the recommendation a balancing reforms implementation roadmap will be developed, defining the expected implementation dates.
- After the recommendation Ofgem or DESNZ will consult on the recommended balancing reforms.
- Dispatch Reform case for change and assessment of options will be held aiming to provide a recommendation late 2027.

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Q&A: NESO panel

Moderator

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