Public

Reformed National Pricing Balancing, Settlement and Dispatch Call for Input

Summary of Call for Input feedback & NESO's initial views

July 2026

NESO
National Energy System Operator

Contents

Executive Summary

The Call for Input (CfI) on balancing, settlement and dispatch reform forms a key part of the Government's Reformed National Pricing (RNP) programme, aiming to refine recommendations which improve system operability and efficiency alongside the programme's other pillars: reforming siting and investment signals, and reducing network constraint costs.

The CfI generated a substantial body of evidence from 81 respondents across industry, central bodies, academia and consumer groups, whom we thank for the time taken in providing feedback. We are committed to a collaborative approach with stakeholders to ensure that the design and implementation of these changes reflect operational realities while delivering efficiencies that help keep consumer bills low and the system secure.

To access the non-confidential RNP CfI responses submitted, please refer to the separate document titled *RNP Balancing, Settlement and Dispatch CfI Respondent Responses*. Responses have been shared and discussed with the Department for Energy Security and Net Zero (DESNZ) and Ofgem to establish a programme-level view. The non-confidential responses were also shared with the Industry Expert Panel (IEP) to better understand cross-industry views and test and improve our interpretation of the responses.

There was broad recognition that the current arrangements are coming under increasing strain as the electricity system becomes more renewables-led, more distributed and more operationally complex. Respondents generally accepted the need for reform, but the feedback also gave a clear message that the effectiveness of any balancing reform package will depend on how it is structured, sequenced and implemented. The key themes from the responses are summarised below.

- **Reform principles:** Stakeholders supported NESO's principles overall, but said they should place greater emphasis on proportionality, consumer value, transparency, investor confidence and whole-system coordination. In light of this feedback, we have added a new whole-system value as a principle to assess the benefits and costs of the reforms.
- **Root causes of redispatch:** Industry generally saw redispatch as driven mainly by the locational mismatch between generation and demand, and a lack of transmission network capacity, with market design issues acting as secondary amplifiers rather than primary causes.
- **Lower BM threshold:** This was generally viewed as a beneficial reform if designed and implemented proportionately. However, some respondents, such as DNOs and Elexon, questioned whether mandatory BM participation is the most effective route to improved visibility, highlighting potential scalability, implementation and coordination challenges (e.g. with primacy and DSO flexibility markets), and suggesting that enhanced data, forecasting and coordination between NESO and DNOs may offer a more effective solution.
- **Shorter settlement periods:** Feedback on 15-minute settlement was generally positive, with respondents agreeing it could improve temporal price signals and support system flexibility. A 5-minute settlement period did not have widespread support due to concerns over cost and complexity.

- **More contested reforms:** Aligning the market deadline, FPN matching and unit-level bidding attracted significantly more scepticism because of concerns over liquidity, market flexibility to self-balance, and implementation burden, with several respondents arguing that similar objectives could be achieved through improvements to monitoring, data quality and coordination rather than significant market redesign.
- **Coordination over restriction:** Stakeholders generally preferred reforms that improve coordination, visibility and forecasting over reforms that tighten trading restrictions or lock-in positions earlier, with some respondents warning that increasing central control without stronger coordination with DNOs could create inefficiencies or conflicting signals.
- **Strategic positioning:** Stakeholders recognised that some strategic behaviour can occur under current arrangements, but most argued that the issue has not been evidenced strongly enough to justify substantial reform.
- **Alternatives to unit-level bidding:** Most respondents preferred stronger use of existing monitoring and enforcement tools - including TCLC, REMIT and better coordination across market bodies - rather than introducing unit-level bidding.
- **Distributional impacts:** Respondents highlighted that reform costs may fall unevenly, with smaller and independent participants more exposed than larger vertically integrated firms.
- **Implementation strategy:** Industry strongly favoured phased implementation, progressing lower-risk reforms - particularly improved visibility, data quality and coordination - first, and only considering more disruptive reforms where benefits are clearly evidenced.
- **Dispatch reform:** Respondents were overwhelmingly unsupportive of any dispatch reform that could be categorised as Central Dispatch. On a move to a more Hybrid Dispatch, views were split between supportive and unsupportive.
- **Cost Benefit Analysis (CBA):** The CfI feedback highlights the importance of ensuring that the assessment framework captures not only balancing costs and operational processes, but also wholesale price impacts, liquidity, investor confidence, competitive effects, implementation burden and wider consumer value. The feedback has helped establish the key requirements that must be met if the next phase of analysis will be successful and robust.

Next Steps

The next step of the project is to undertake a detailed assessment of the proposed balancing reforms through a Cost-Benefit Analysis and an Implementation Assessment, to be delivered later this year. We are still evolving our assessment approach, based on CFI feedback and in collaboration with DESNZ, Ofgem and the Industry Expert Panel. Our current proposed assessment approach is set out below.

Individual assessment

Lower BM threshold and shorter settlement period reforms will be assessed individually. Both reforms are generally supported by stakeholders and are seen as delivering clear and independent benefits (albeit they need to be carefully designed and implemented). Following the feedback:

a) We will consider 10 MW as base case threshold to reduce the mandatory BM participation, with retrospectivity and visibility-only requirements of assets above 1 MW to be determined after the assessment.

b) Shorter settlement period, with 15-minute settlement as the base case and 5-minute settlement as a sensitivity.

Package 1: Increase visibility and coordination

This package attempts to address mainly the visibility and access to balancing resources challenge through the combination of:

- Lowering the BM threshold to 10 MW with visibility-only of assets above 1 MW; with retrospectivity to be determined.
- 15-minute settlement period.

Package 2: Increase market behaviour change and compliance

This builds on package 1 by introducing additional measures intended to strengthen market incentives, aiming to address the challenge around overlap between the wholesale and balancing market. It consists of combining:

- Lowering the BM threshold to 10 MW with visibility-only of assets above 1 MW; with retrospectivity to be determined.
- 15-minute settlement period;
- Aligning the market trading deadline with Gate Closure;
- Requiring FPNs to match traded positions at portfolio level.

Unit-level bidding

After feedback from industry, particularly around the level of evidence presented, NESO will first better establish the scale of any inefficiencies arising from strategic behaviour, alongside high-level implementation costs. This evidence will inform a recommendation on whether to pursue the reform as part of balancing reform.

Context

This document summarises the feedback received through the CfI on the balancing, settlement and dispatch reform, and sets out the main themes, areas of agreement, points requiring further consideration and next steps. The CfI responses were processed and analysed in collaboration with DESNZ, Ofgem and the IEP. This joint approach helped ensure that stakeholder feedback is considered in the context of the wider RNP reforms, and ongoing work outside of RNP.

The CfI was launched to gather views on the effectiveness of the balancing reform package, any market behaviour or distributional impacts, and the proposed implementation pathway. Feedback was also gathered on the proposed CBA and impact assessment analysis framework, and the identification of the cost and system changes, revenue impacts and investment cases to ensure the full impact of reforms were captured. The CfI also helped to understand the case for further dispatch reform, and potential reform options to consider.

This work forms part of the RNP programme, which is progressing a set of reforms to promote the efficient siting of new assets, reduce network constraint costs, and drive efficient operation of the system. The Government's RNP delivery plan sets out the various reforms that make up the programme, as well as the governance and implementation approach for the reform package. Within this context, the CfI is an important step in our assessment of the balancing and dispatch reforms, and in turn to enable a robust and evidence-based recommendation, while recognising that the final policy decision will be taken by DESNZ and Ofgem as appropriate to each reform.

Overview of responses

The CfI received 81 respondents from across industry, central bodies, academia and consumer groups, this is shown in more detail below.

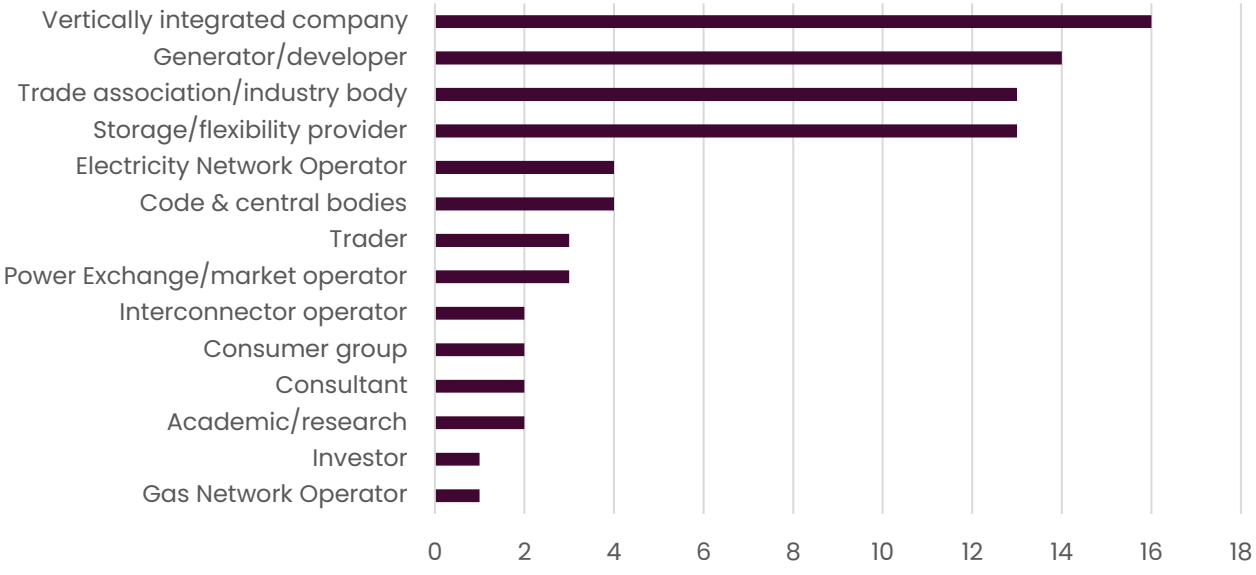

Figure 1: Breakdown of CfI responses by profile

This summary primarily focuses on the responses to the qualitative questions and is supported by the quantitative results. A full breakdown of the responses to the quantitative questions can be found on the PowerBI report on our webpage. Please note, not all respondents answered every question, so the number of responses to both the qualitative and quantitative questions vary.

Given the volume and breadth of evidence submitted, AI tools were used to support the processing and organisation of responses. This included identifying recurring themes, grouping related comments and supporting comparisons across stakeholder groups. All outputs were reviewed and validated by the project team.

CfI feedback and initial views

Principles and challenges

Stakeholders broadly agreed that the principles set out in the CfI - efficient operational signals, clear handover of balancing responsibility, and secure and efficient system operation - provide a reasonable starting point. However, many respondents argued that these principles should be supplemented by more explicit recognition of proportionality, investor confidence, transparency, consumer value and wider whole-system coordination. A recurring theme was that secure and efficient system operation should remain the primary objective, with operational signals and incentives designed to support that outcome, and with the "clear handover" principle applied carefully so that it does not arbitrarily limit flexibility or weaken the market's ability to self-balance efficiently close to real time.

Considering the feedback, we have added a new 'whole-system value' as a principle in our assessment of the reforms, which considers the interactions between system layers. This is to ensure that the assessment is not narrowly focused on system operator impacts and/or the reduction in balancing costs and instead considers the reforms impact on reducing total system costs.

A strong theme running through the responses was the distinction between structural drivers of redispatch and secondary amplifiers. Many stakeholders considered that the dominant cause of rising redispatch volumes and costs is the locational mismatch between generation and demand, combined with insufficient transmission network capacity. In this framing, limited visibility of smaller assets, overlap between wholesale trading and balancing, and some forms of strategic behaviour were seen more as operational features that can at times worsen or amplify redispatch requirements. A wide range of respondents cautioned that balancing reforms may improve how redispatch is managed but will not materially remove the underlying need for redispatch.

Balancing reform package

Many respondents supported a targeted reform strategy, rather than treating all proposed reforms as equally developed or justified. The strongest support was for measures that improve NESO's visibility of, and access to, balancing resources – such as lowering the BM participation threshold or through alternative routes. Respondents saw value in bringing more flexible and distributed assets into the BM, while also emphasising that this must be done in a way that recognises the challenges for smaller market participants from BM participation and the impacts on DNOs.

Aggregation of assets, phased implementation, simplified onboarding routes, and visibility-first approaches were proposed as ways to secure the system benefits without imposing disproportionate costs or complexity.

By contrast, the proposals to align the market trading deadline with Gate Closure, require FPNs to match traded positions, and move toward unit-level bidding attracted much more scepticism. The consistent concern was that these measures risk reducing intraday liquidity, increase imbalance exposure, weaken portfolio optimisation and raise compliance costs, especially for intermittent renewable generators, storage providers and smaller market participants. Many respondents argued that these reforms would shift risk away from NESO and onto participants without clearly demonstrating that this would improve overall system efficiency or reduce consumer costs. Several also argued that, while these measures could provide NESO with more information or a cleaner operational boundary, they could do so at the expense of market functioning.

A further theme was whether unit-level bidding is justified as a response to the risk of strategic positioning behind constraints. Feedback recognised that the current framework could permit some forms of strategic positioning, but most respondents argued that the scale of the issue has not been evidenced clearly enough to justify a major redesign of market arrangements.

Instead, stakeholders generally favoured making fuller use of existing regulatory and monitoring tools, including potential expansion or clarification of TCLC, stronger use of REMIT, and improved coordination between NESO and Ofgem and other bodies involved in operating and overseeing the market.

Many respondents viewed a move to 15-minute settlement as a sensible step that could improve temporal price signals, better reflect real-time system conditions, increase the value of fast-acting flexibility such as storage and demand-side response, and support alignment with the European Internal Energy Market (IEM). Support for this was, however, closely linked to the expectation that implementation would be carefully phased and supported by robust readiness across metering, data, forecasting and trading systems. A move to 5-minute settlement was not widely supported, citing the likely additional cost, complexity and risk without much greater benefits. Storage assets were the exception to this, where there was support for 5-minute settlement.

The issue of distributional impacts featured strongly throughout the responses. Stakeholders repeatedly noted that the fixed and ongoing costs associated with reform - including metering, systems upgrades, forecasting, compliance, and trading capability - are unlikely to fall evenly across the market. There was a common concern that larger vertically integrated companies would be better placed to absorb or manage these costs, while smaller generators, independent developers, distributed assets and newer business models would face a greater burden. This raised concerns both about longer-term market consolidation if reforms unintentionally favour those with scale. Respondents therefore stressed that the CBA and wider assessment must distinguish clearly between reforms that generate system-wide savings and those that simply transfer cost, risk or complexity from one part of the market to another.

Lower mandatory Balancing Mechanism participation threshold

Mean score[1]	**4**
Net agreement[2]	**0.7**

Respondents were broadly supportive of the reform's aims and phased approach, recognising the benefits of improved visibility and access, as well as the potential to reduce balancing costs. However, many highlighted challenges around NESO/DSO coordination, particularly the need for clear primacy rules. Some respondents supported lowering the mandatory threshold for full BM participation to 10MW, with visibility requirements extending down to 1MW. Aggregators were also identified as an important route to market for smaller units.

A key challenge raised with the reform related to proportionality in relation to the costs and benefits, particularly that metering and telemetry costs could create barriers to entry for smaller assets. There was also concern raised around the existing BM registration and onboarding process and whether this would be scalable for the projected increased volume of units. Some respondents noted that consideration of skip rates and interactions with DSO flexibility markets were crucial to the success of the reform. Respondents generally considered retrospectivity essential to the reform but emphasised that appropriate funding would be required. Some also highlighted the risk of early asset decommissioning where retrospectivity is applied.

The table below outlines the key feedback themes from respondents and the initial NESO view on these themes.

Recommendations submitted	Initial view on recommendations
• Many respondents suggested a higher mandatory threshold than 1MW, most often 10MW, with some proposing 25MW or 30MW.	• We initially considered a base case of mandatory BM participation for all electricity assets 1MW or greater. • Considering stakeholder feedback, we are considering whether the CBA base case needs to be revised to require full BM participation from electricity assets 10MW or greater, with assets below the threshold providing visibility only. This will be assessed in detail in the stand-alone analysis of this reform, which will inform the packages analysis.
• Respondents argued that smaller assets should face less laborious compliance	• A visibility-only option would be a lower compliance route to provide NESO with more information regarding smaller units. As stated in the previous

[1] ***Mean score:*** *Respondents were asked to score on a scale of 1-5 (1 = Not confident; 5 = Very confident) how confident they were each reform would achieve its stated aims, without creating disproportionate costs/risks.*

[2] ***Net agreement:*** *The share of respondents agreeing minus the share disagreeing. The score ranges from -1 to 1. Positive values closer to 1 indicate net support, negative values closer to -1 indicate net opposition. Values close to or around 0 indicate mixed support.*

requirements, including obtaining a BEGA, rather than full BM obligations. Some respondents believed a visibility-only approach was more proportional for smaller units.	recommendation, we are considering this route for units below the 10MW threshold.
	• Visibility-only could mean PNs only, or both operational metering and PNs.
	  ○ Ensuring PN accuracy would be difficult through the PN only option. Using ex-post settlement data would only enforce accuracy of energy volume over the length of the SP. This may be acceptable under a 5-minute SP.
	  ○ The cost of operational metering is understood to be one of the most significant costs to full BM participation so this may be uneconomic for smaller units.
	• We will continue to explore the visibility-only option through the CBA and further internal and external engagement.

• There were comments regarding the existing BM registration process and the need for simplification, in particular the SORT upload process and the time taken to enter the BM.	• We are engaging with the NESO BM Registration team to support the work they are undertaking to improve the efficiency and capacity of the registration process ahead of the implementation of OBP. • Whilst OBP is expected to begin registering units independently of SORT, there will be a transition period during which both processes will operate in parallel. During this period, BMUs registered through OBP will still need to align with the SORT process before becoming dispatchable. The full benefits of the faster OBP registration process will therefore only be realised once SORT is decommissioned, the implementation timeline will take this into consideration.
• Respondents preferred phased implementation, with some suggesting slower implementation and phase reviews before further threshold reductions. Some respondents also suggested the idea of phasing by technology type.	• We are considering a CBA base case to a ≥10MW threshold for full BM participation, with ≥1MW for visibility only. This should alleviate some of the concerns respondents had with implementation. We will also consider the CFI responses in implementation planning going forwards. • Our current preference would be that the phasing should be based on thresholds rather than technology type. We welcome industry feedback on which technologies could be more affected by reducing the mandatory threshold.
• Many respondents emphasised the need for stronger TSO/DSO	• This is a key industry-wide issue that we recognise. We are collaborating with other NESO initiatives (including Transformation to Integrate Distributed Energy and

coordination, including clear primacy rules, conflict resolution, and real-time data sharing, to avoid interaction with local flexibility markets.	Primacy) to improve coordination and will continue to engage with the Market Facilitator. • We are also exploring the impact of this reform on flexibility markets.
• Concerns were raised about skip rates, control room capability, and readiness of NESO systems and platforms.	• We recognise the need for fair access to BM revenues to support successful reform. NESO is progressing a strategic programme on Dispatch Transparency to improve clarity around BM actions, including enhancements under the OBP roadmap focused on optimisation behind constraints to improve both efficiency and transparency. • We are currently undertaking a NESO Process and Capability Assessment to identify changes to existing capabilities and will determine next steps following this. • We are currently undertaking a System Impact Assessment to identify upgrades to NESO systems which can support the RNP programme.
• Respondents generally considered retrospectivity necessary for this reform but emphasised the need for a cost recovery mechanism, with some also raising concerns about the risk of early asset decommissioning.	• We agree that retrospectivity potentially brings benefits to system and market operation. This will be considered as part of the CBA assessment, considering associated costs and impacts in terms of deliverability and implementation timelines.

Aligning market trading deadline with Gate Closure

Mean score	2
Net agreement	-0.5

There was limited support for this reform, however some respondents saw a benefit in clearer separation between market actions and NESO balancing actions, with a number of respondents believing the reform could result in a reduction in Net Imbalance Volume (NIV) chasing. Some respondents recommended changing the Gate Closure period to 30-minutes rather than the current 1-hour period.

A number of respondents noted that a lower BM threshold combined with PN accuracy could solve the issues targeted by this reform. Some respondents raised that this reform reduces a

participant's ability to self-balance and increases forecast, operational and imbalance risk for them. There was also concern that this reform could push more actions into the BM, raising system and consumer costs.

The table below outlines the key feedback themes from respondents and the initial NESO view on these themes.

Recommendations submitted	NESOs initial view on recommendations
• Instead of pulling MTD back to align with Gate Closure, push Gate Closure closer to real time with MTD (e.g. 30–15 minutes before delivery).	• We recognise the benefits of a shorter Gate Closure for market participants in that they are able to better trade out imbalances closer to real time as forecast accuracy increases. • However, due to the current levels of system actions that NESO is required to take to maintain security, it is not currently considered feasible to shorten it below one hour before delivery. We will explore this option within the Dispatch Reform workplan.
• Flexibility after Gate Closure is viewed by some as valuable and should not be unnecessarily restricted.	• We recognise retaining a window after Gate Closure allows participants to continue self-balancing and optimise their positions closer to real time. • However, under current arrangements, many of these actions are not fully visible NESO when operational decisions are made, due the lack of BM participation of this assets. • This lack of visibility can reduce the effectiveness of operational decision-making by NESO, particularly as congestion increases, leading to less efficient redispatch, increased balancing costs and additional corrective actions. • Closing this information gap and improving coordination between market participants and NESO is therefore a key objective of the reform.

• Focus on information quality, not trading restrictions:
  ○ Improve PN / FPN accuracy requirements
  ○ Enhance NESO visibility of traded positions
	• NESO will look into improving baseline data submission accuracy standards, building on the approaches used for wind PN accuracy (see document), the work currently lead by NESO's Market Monitoring Team on quantifying and analysing inaccuracies in submitted data (see webpage) and, the Transformation to Integrate Distributed Energy workstream (see webpage).
	• This will also align with the PN matching trading position reform, exploring how traded positions could be used to improve dispatch decisions.

• Address root causes instead:
  ○ Forecast accuracy
  ○ Real-time controllability
  ○ Fragmented ancillary services
	• NESO recognises the importance of addressing the causes of the problem earlier in the process, before NESO has to dispatch and balance the system, but these measures alone are unlikely to fully address dispatch inefficiencies under current market arrangements, considering the expected level of congestion and the increased amount of embedded generation.
	• This reform is therefore expected to form part of the enduring market design, alongside broader reforms, to support efficient and coordinated system operation as the electricity system evolves.

• Invest in real-time data and systems for NESO.	• We recognise the importance of accelerating the deployment of real-time data and improving its use in operational decision making. NESO is progressing multiple initiatives to enhance market monitoring and data processing, as outlined in the BM chapter of the Electricity Markets Roadmap and the Transformation to Integrate Distributed Energy.

Final Physical Notifications to match Traded Positions

Mean score	2
Net agreement	-0.7

Most respondents in principle support NESO having better visibility of participants' intended position, but do not support the specific reform proposal, arguing that the lower BM threshold reform should address the visibility issue. If taken forward, respondents prefer requiring matching on a portfolio-level, over the unit-level option because of the significant additional implementation complexity for the latter.

Respondents raised concerns about compliance risk and burden, noting that the current regulatory approach to PN accuracy is ineffective. They also highlighted potential disproportionate impacts on participants with diverse portfolios, as well as risks to liquidity, flexibility and imbalance exposure. Some respondents stressed the importance of considering this reform alongside related reforms, such as P462, where combined implementation could deliver greater consumer benefits than assessing either reform in isolation.

The table below outlines the key feedback themes from respondents and the initial NESO view on these themes.

Recommendations submitted	NESOs initial view on recommendations
• Use of other sources of trading information such as data streams from Elexon and the Power Exchanges.	• We recognise the potential value of additional trading information to improve visibility of market positions and supporting more efficient dispatch decisions • NESO is currently developing a market focus role within the control room, alongside processes to incorporate wholesale market information into operational decision-making. As part of this work, we will continue to assess how external trading data can complement existing information sources and reduce uncertainty over final market positions at Gate Closure.
• Use Information Imbalance Charge (IIC) framework before mandating PN=TP alignment, as incentives are a more proportionate solution than compliance-based obligations	• The IIC is designed to incentivise participants to submit accurate Final Physical Notifications (FPNs) against their metred output. By contrast, the FPN matching proposed is related to the traded position and is intended to address intentionally taking a long or short position, which wouldn't be addressed by the IIC. • FPN accuracy (and data accuracy within the BM more broadly) is being addressed through existing NESO work. More information can be found here.
• Respondents emphasised the need for phased implementation, including testing, appropriate tolerances, and validation of market liquidity before introducing any mandatory requirements.	• We recognise the impact of this reform on market participants. As part of the assessment phase, these impacts will be carefully considered within the CBA through both qualitative and quantitative analysis. • Respondents' suggestions regarding phasing, testing and appropriate implementation approaches will be considered as part of the CBA and implementation assessment.
• The reform should not apply to non-physical traders or assets without clear physical notification obligations.	• This will be analysed as part of the detailed design of the reform and the implementation assessment.
• Portfolio-level approaches are seen as better suited to mixed technology portfolios and decentralised assets.	• As part of the assessment, we will analyse impacts at a portfolio level, including the

	implications for non-BM assets that do not currently submit PNs.

• Differentiate treatment:
  ○ Stricter rules for dispatchable assets
  ○ Preserve flexibility for intermittent generation
	• We will explore during the implementation assessment, the possibility to include stricter rules for dispatchable assets.

Unit-level bidding

	Option 1[3]	Option 2[4]
Mean score	2	2
Net agreement	-0.6	-0.8

Overall, CfI responses were largely unsupportive of unit-level bidding under both options, with many respondents questioning whether the case for change has been sufficiently evidenced. While some potential benefits were acknowledged, particularly around improved visibility, transparency and market monitoring, respondents generally had low confidence that these benefits would outweigh the cost and disruption of the reform. A common theme was that unit-level bidding could weaken portfolio based, self-dispatch and risk management without a clearly quantified improvement in balancing costs, consumer outcomes or system operation, with some respondents suggesting enhanced monitoring as a potential alternative approach.

The main concerns centred on cost, complexity, liquidity and proportionality. Respondents highlighted significant implementation and operational burdens, alongside risks to portfolio optimisation, hedging flexibility, participation by smaller parties and overall market efficiency. Option 2 was viewed as particularly challenging, while Option 1 was generally seen as more workable only if pursued cautiously and supported by a clearer evidence base.

The CBA will look to form a view of the high-level expected benefits unit-level bidding could deliver by assessing the scale of the problem from inefficient strategic bidding behaviour. Once there is a more accurate idea of the size of the potential problem, and initial industry feedback on high-level impacts has been obtained, a full CBA and implementation assessment on unit-level bidding will be planned.

While NESO remains of the view that the conditions in the GB electricity market mean it is highly likely that the market inefficiencies that unit-level bidding would address are occurring and will

[3] ***Option 1:*** *Retention of a physical forward market with ECVNs assigned to specific units at the day-ahead stage (and updated at unit-level for intraday trades).*

[4] ***Option 2:*** *Conversion of forward trading to financial trading coupled with bidding into a new, singular, gross pool DAM to gain a physical position.*

continue to occur at scale in the future, we have heard the feedback that the case for unit-level bidding has not been sufficiently evidenced given the scale of change it would introduce.

Given the scale of additional assessment required for the evidence case for unit-level bidding, this work will need to be carried out in longer time, therefore at this stage we will align the unit-level bidding work with the dispatch reform timelines, meaning an expected recommendation at the end 2027.

The table below outlines the key feedback themes from respondents and the initial NESO view on these themes.

Recommendations submitted	NESOs initial view on recommendations
• Introduce a de minimis threshold for compliance with 10MW, cited by some respondents as a proportionate level.	• A de minimis threshold would need to be considered alongside the BM threshold reform. • The CBA will explore whether assets participating in the BM should be expected to bid at unit-level, while non-BM assets would remain at a portfolio level. • Consideration will also be given to whether aggregation thresholds for day-ahead and intraday markets should differ from the BM threshold, where this is proportionate.
• Allow portfolio bidding for units connected to the same GSP, where this provides sufficient operational visibility.	• Portfolio bidding at GSP level may provide some operational visibility, but it may not align with the purpose of unit-level bidding if the reform is intended to support market monitoring and visibility of individual unit behaviour.
• Review existing regulatory and market frameworks first, including BM arrangements, TCLC and REMIT, before progressing wider reform.	• As part of the CBA analysis, consideration will be given to whether existing regulatory and market frameworks, including TCLC and REMIT, can address concerns around gaming or strategic bidding.
• Ensure the CBA reflects wider indirect costs, including impacts on collateral, liquidity, financing costs, cost of capital and consumer prices.	• Working with Baringa, consideration will be given to wider indirect costs within the CBA, including potential impacts on collateral, liquidity, financing costs, cost of capital and consumer prices. • While these impacts may be difficult to quantify, we will seek to assess them where possible in the detail CBA analysis, considering quantitative and qualitative impacts.
• Provide a proportionate implementation period, with	• The importance of allowing a proportionate implementation period is noted.

1–2 years suggested by some respondents and consider phased rollout starting with the largest and most liquid assets.	• The CBA and the implementation roadmap will assess appropriate implementation timeframes, including the potential need for a multi-year transition period, to support a deliverable approach.
• Test transitional arrangements across a full range of system conditions, including winter peak and summer minimum periods.	• We recognise the importance of testing transitional arrangements across a full range of system conditions. • The CBA will consider scenarios such as winter peak and summer minimum periods to ensure any transition is robust and deliverable.
• Consider greater use of Schedule 7A trades or other early intervention tools as alternatives for constraint management.	• The role of Schedule 7A trades and other early intervention tools as alternatives for constraint management will be considered through the dispatch reform and constraint workstreams. This will include consideration of any associated market monitoring requirements to manage potential gaming risks.
• Where additional transparency is introduced, share data symmetrically with the market, not only NESO, where appropriate.	• Where additional transparency is introduced, consideration will be given to ensuring data is shared symmetrically with the market, where appropriate. • This includes whether unit-level bids and offers could be made available to market participants ex-post (e.g. next day) to support market visibility, competition and price discovery.
• Assess unit-level bidding in the context of wider market reforms and broader dispatch reform.	• We recognise the importance of assessing unit-level bidding in the context of wider market reforms and broader dispatch reform. • The CBA will consider these interactions to ensure any assessment of unit-level bidding is robust, deliverable, and aligned with the wider direction of market reform.

Shorter Settlement Period

Mean score	**4**
Net agreement	**0.4**

Respondents were supportive of the concept of shorter settlement periods, recognising benefits for flexibility and reduced imbalance volumes and costs. In general, 15-minute settlement periods were the preferred option, with respondents noting this provides European IEM alignment and lower delivery risk. There was mixed confidence in the reform benefits being realised in practice, with uncertainty around implementation complexity, metering, interactions with other reforms,

data and process changes. Phased implementation was strongly favoured, with respondents indicating that wholesale should be implemented before being rolled out to retail.

A key challenge raised with the reform related to the major system upgrades required across NESO, Power Exchanges and Elexon platforms, as well as for market participants. Respondents noted that metering changes could be costly and time consuming, potentially driving premature meter upgrades where firmware updates are incompatible. Some respondents were concerned about increasing price volatility and imbalance risks if the trading deadline is moved back. Respondents also highlighted potential interactions with Frequency, Reserve and DNO flexibility services, noting that shorter settlement periods could make it more challenging for flexible assets to optimise across multiple markets and stack revenues effectively.

The table below outlines the key feedback themes from respondents and the initial NESO view on these themes.

Recommendations submitted	NESOs initial view on recommendations
• Strong preference for a phased approach, starting with 15-minute settlement before considering 5-minutes.	• We recognise the implementation complexity of this reform and are assessing different scenarios to maximise benefit, so a phased approach will be assessed.
• Shorter settlement should be accompanied by a shorter Gate Closure.	• NESO recognises the benefits of a shorter Gate Closure for market participants in that they are able to better trade out imbalances closer to real time as forecast accuracy increases. However, due to the current levels of system actions that NESO is required to take to maintain security, it is not currently considered feasible to shorten it below one hour before delivery. We will keep exploring this option during the Dispatch Reform workplan.
• MHHS readiness and lessons learned are a major dependency; several warn not to overload industry before MHHS is complete.	• We welcome the recommendation, and this will be considered thoughtfully in the CBA and implementation assessment. • We are also working with the RNP Balancing, Settlement and Dispatch Industry Expert Panel to test our assumptions and provide confidence to industry.
• Respondents stress transition planning, including shadow settlement, staged go-live, long lead times, and readiness checks.	
• System, metering, data and IT impacts need clearer assessment across NESO, Elexon, suppliers, aggregators and consumers.	

• Several comments highlight the need to protect market liquidity and tradable products at shorter intervals.	
• Wider reforms must be sequenced carefully to avoid simultaneous market disruption.	
• Some responses raise equity and consumer impacts, especially around access to flexible technologies and demand-side response.	
• Retail/smart meter impacts should be considered separately from wholesale, with some recommending wholesale first and retail later.	• We will consider the phased transition to shorter settlement periods between wholesale and retail in the CBA and implementation assessment.

Dispatch Reform

Mean score[5]	**2**
Net agreement	**-0.5**

Respondents were overwhelmingly unsupportive of any dispatch reform that could be categorised as Central Dispatch, pointing to the DENSZ minded-to decision to not pursue Central Dispatch, as well as concerns around deliverability, investability and preserving the benefits of the bilaterally traded self-dispatch market. Many also expressed that the case for further change beyond the balancing reforms was not well evidenced.

On a move to a more Hybrid Dispatch, views were more mixed. Supporters see benefits in NESO being able to take actions to resolve system issues earlier such as more efficient coordination of resources and a wider pool of resources to utilise. Many were keen to see extended use of Schedule 7A trades and the development of Constraint Management Markets and other locational flexibility markets with the aim to retain portfolio-based self-dispatch while significantly reducing cost of constraints.

The unsupportive comments on Hybrid Dispatch largely mirrored the concerns regarding a move to Central Dispatch.

Regardless of position, respondents were clear that any changes to dispatch arrangements need to demonstrate value for money; provide a clear operational benefit over the current arrangements; preserve competition, liquidity, investor confidence and market-based decision making; not limit participation and ensure transparency of decision making.

[5] ***Mean score:*** *Respondents were asked to score on a scale of 1-5 (1 = Strongly disagree; 5 = Strongly agree) do they agree that further dispatch reform, on top of the balancing reform package, will be needed to meet the operability and cost challenge.*

NESO has agreed a workplan with DESNZ and Ofgem to explore further the case for change for Dispatch Reform, develop more detailed design options, and run a further CfI on Dispatch Reform specifically. NESO will set out more details on the proposed workplan and timelines in due course.

Recommendations submitted	NESOs initial view on recommendations
• Many respondents were unsupportive of any dispatch reform that could be categorised as Central Dispatch, citing the DESNZ minded-to decision not to pursue Central Dispatch, as well as concerns around deliverability, investability and preserving the benefits of the bilaterally traded self-dispatch market.	NESO recognises the concerns raised by industry, particularly around the case for change. As stated before, we will structure a full assessment around dispatch reform options, evaluating a range of dispatch models and targeted interventions. The main objective of this assessment will be to understand deeply the operational benefits, consumer value, market impacts, IEM compatibility and implementation feasibility to support an evidence-based recommendation for the GB Dispatch Arrangements. This assessment, due to the complexity, and the need of extended stakeholder engagement, will run at a slower pace than the balancing reforms, and we are expecting to provide a recommendation to DESNZ and Ofgem at the end of 2027. Continuous engagement will be held with Industry, through the Industry Expert Panel, and future engagement opportunities.
• Views on Hybrid Dispatch were more mixed. Some respondents saw potential benefits in earlier action to resolve system issues, more efficient coordination of resources, and use of a wider pool of resources. Many of these respondents pointed to extended use of Schedule 7A trades, Constraint Management Markets and other locational flexibility markets as more proportionate options that could retain portfolio-based self-dispatch while reducing the cost of constraints.	
• Many respondents considered that the case for further change beyond the balancing reforms was not yet well evidenced and recommended a clearer case for change, with supporting analysis and demonstration of consumer and operational benefit before progressing further.	
• Regardless of position, respondents were clear that any change to dispatch arrangements would need to demonstrate value for money, provide a clear operational benefit over the current arrangements, preserve competition, liquidity, investor confidence and market-based decision making, not limit	

participation, and ensure transparency of decision making.	
• A number of respondents recommended that any further dispatch reform should be developed incrementally, with further industry engagement once the case for change and option set are more fully developed.	

Cost Benefit Analysis

Responses to the CfI have provided valuable evidence on stakeholder views and will be used to inform the development of the CBA. The CBA will assess the expected costs, benefits and impacts of potential reform options and test a range of assumptions and design choices. The CBA is intended to support future recommendations and decision-making and should not be taken as pre-determining the outcome of the assessment process.

There was broad support in principle for a CBA, but this was strongly conditional on the methodology being strengthened and further details shared. The CBA is widely viewed as essential for informing decision-making; however, stakeholders do not consider the CBA methodology decision-ready in its current form based on the information shared to date – it is too high-level and lacks the detail needed for confidence in the outputs. As a result, stakeholders expressed concern that, without further detail on the assumptions, scope and modelling approach, the results could be biased or misleading.

The table below outlines the key feedback themes from respondents and the initial NESO view on these themes.

Recommendations submitted	NESOs initial view on recommendations
• Strengthen treatment of assumptions, counterfactuals and uncertainty, with robust sensitivity analysis to reduce optimism bias and avoid misleading results.	• All of these recommendations will be considered in the design of the analysis used to assess reform benefits. We will continue to ensure transparency through ongoing engagement with industry stakeholders, including via the Industry Expert Panel.
• Expand beyond a narrow balancing focus to capture whole-system interactions, including cross-border effects, gas linkages, and transmission–distribution interfaces.	
• Explicitly assess distributional effects across participants and distinguish genuine efficiency gains from cost/risk transfers, including impacts on competition.	
• Enhance modelling of liquidity, trading behaviour and market dynamics, including impacts on spreads, collateral requirements and participant strategies.	

• Better capture implementation, operational and financing impacts, including cost of capital, risk premia and overall investability.	
• Assess reforms individually and in combination, testing sequencing and ensuring counterfactuals reflect interactions and evolving system conditions.	
• Move beyond a single headline metric to a broader suite of outputs (e.g. liquidity, volatility, distributional indicators), alongside clear ex-post monitoring.	
• Ensure a transparent and independently challengeable process, with early industry engagement and clear modelling governance.	• We are engaging with market participants on an ongoing basis through a range of channels, including through the Industry Expert Panel, which provides a formal forum to share feedback on, and challenge, the CBA approach.

Implementation assessment

Alongside the CBA, an implementation assessment will consider the practical implications of potential reforms, including impacts on industry participants, delivery complexity, implementation costs, sequencing considerations and operational readiness. The assessment will help identify implementation challenges, opportunities and potential mitigation measures and will inform future recommendations and decisions.

The design and delivery of any future reforms would require close collaboration across NESO, DESNZ, Ofgem, Elexon and industry participants. The implementation assessment will therefore consider impacts across the wider market and system landscape and identify areas where coordinated delivery may be required.

The feedback reinforced the importance of careful sequencing and implementation. There was strong support for a phased approach in which lower-risk reforms – greater visibility, improved data quality, and BM access - are progressed first, and more disruptive and complex reforms are only considered where there is clear evidence that the reforms will not have disproportionately large costs on the market. Stakeholders repeatedly warned against implementing multiple reforms at once in a way that could create cumulative liquidity impacts, or delivery risk across the sector. There was also a clear expectation that NESO must demonstrate that it can make effective use of increased visibility and new data, including through improved dispatch efficiency, greater transparency in operational decision-making, and better tools and systems capability.

Lowering the BM threshold was identified as a potential early step, subject to close industry collaboration and careful consideration of interactions with wider reforms such as MHHS and the Market Facilitator. Stakeholders also highlighted the need for realistic delivery timelines, reflecting NESO's critical path role and limited specialist resource across the sector.

The Implementation Planning workstream will progress in phases:

1) The Target Operating Model (TOM), defines the cross-industry changes required across market participants and central bodies to enable the reforms.
2) Implementation Assessments will be carried to estimate the costs and timelines required to implement the identified changes across market participants and central bodies.
3) An Implementation Roadmap will be developed using the insights from earlier phases.

To support delivery and engagement, market participants and central bodies have been segmented into key market archetypes, enabling more targeted analysis and efficient stakeholder engagement.

The table below outlines the key feedback themes from respondents and the initial NESO view on these themes.

Recommendations submitted	NESOs initial view on recommendations
• Define a clear sequencing framework that prioritises "no-regrets" enablers (e.g. visibility, BM access, TSO-DSO coordination), lower BM, and re-assess more complex reforms later, supported by prioritisation criteria (e.g. benefit, complexity, dependency, alignment with IEM) and clear decision gates between phases.	• These recommendations will be considered in the implementation assessment of the reforms. We will continue to ensure transparency through ongoing engagement with industry stakeholders, including via the Industry Expert Panel.
• Undertake a whole-industry deliverability assessment, accounting for overlapping reforms and cumulative change burdens (e.g. MHHS, connections), and publish realistic timelines with clear milestones, long lead times (18–24 months), aligned delivery cycles, and stable specifications.	
• Embed formal transition design into the roadmap (sandbox, shadow operation, staged go-live), enabling phased migration with iterative, evidence-led and reversible implementation, gradual exposure to financial risk, pragmatic early enforcement, and clear feedback loops between phases, supported by defined review points and exit criteria.	
• Define "Gate 1" prerequisites and readiness criteria (systems, data, processes), explicitly addressing key bottlenecks (e.g. CVA registration/BSCP20 automation, data, metering and system readiness), dependencies on TSO-DSO coordination, primacy rules and digital infrastructure, and supported by robust system capability assessments (including NESO) and transparent tracking of risks.	

• Strengthen cross-programme alignment and governance, ensuring implementation is coordinated across NESO, Ofgem, DESNZ and Elexon, aligned with other reforms and whole-system considerations (electricity, gas, flexibility and IEM re-entry), and underpinned by clear TSO-DSO coordination milestones and broader system optimisation.	
• Enhance structured engagement mechanisms through early, ongoing and deep industry engagement, using formal forums (e.g. Industry Expert Panel), and publish transparent decision frameworks covering assumptions, sequencing decisions and modelling inputs, including how feedback informs design choices.	
• Adopt a "proportionality" framework that avoids overly complex or costly changes where simpler solutions may be sufficient, prioritises market-based and operational improvements (e.g. outage planning, intertrip, better use of existing tools), and tests whether existing measures can address issues before pursuing major reforms, with a clear demonstration of incremental benefit against a realistic counterfactual.	
• Introduce a stage-gate framework with clear metrics, performance thresholds and decision criteria, supporting iterative, evidence-led decision making, with quantitative assessment of costs, benefits and implementation impacts, and re-evaluation of reforms after early phases before progressing.	
• Prioritise access and participation enablers, removing barriers to BM access ahead of threshold reductions, while considering impacts on liquidity, legacy assets and flexibility providers, and engaging early with batteries and optimisers to ensure reforms remain proportionate and effective.	
• Articulate a clear long-term target state, clarifying whether reforms are transitional or enduring, and aligned with key metrics, with the roadmap showing how each phase contributes to that outcome.	

Next Steps

The strategy emerging from the feedback obtained from the CfI is to assess the balancing reforms using a stand-alone and package approach, and it has been organised in first instance according to the assessments outlined below. This structure is being under continuous consideration as stakeholder engagement evolves, and revised regularly with DESNZ and Ofgem. We believe these assessments allow us to test a manageable number of combinations and additional sensitivities.

- **Individual (stand-alone) assessments:**

a. Lowering the BM threshold to 10 MW with visibility-only of assets above 1 MW, retrospectivity still to be determined.
b. Shorter settlement period, with 15-minute settlement as the base case and 5-minute settlement as a sensitivity.

- **Package 1 - Increase visibility and coordination:** combines lowering the BM threshold to 10 MW with visibility of assets above 1 MW, and 15-minute settlement.
- **Package 2 - Increase market behaviour change & compliance:** combines lowering the BM threshold to 10 MW with visibility of assets above 1 MW, aligning the market trading deadline with Gate Closure, requiring FPNs to match traded positions at portfolio level and 15-minute settlement period. The benefits case of the latter two reforms will be considered in terms of their additionality to package 1.

For unit-level bidding, considering CfI feedback and the concerns raised by stakeholders regarding market impacts, the proposal is not to undertake a full CBA at this stage, but instead run an assessment of the potential scale of the problem/inefficiency from strategic behaviour, alongside assessing high-level implementation costs and impacts. Alternative solutions including enhanced market monitoring will be explored further. Any recommendation to pursue this reform is expected to take account of this analysis and will need to be considered within the Dispatch Reform work plan and timelines.

As part of the detailed assessment of the packages, the modelling framework will cover impacts on the Balancing Mechanism, wholesale market, ancillary services, imbalance price exposure, flexibility markets and other secondary effects (for example CfD top-up payments), with implementation and operational costs feeding directly into the assessment. At this stage of analysis, all reform options within scope of this assessment will continue to be evaluated. Options related directly to unit-level bidding will be considered through the Dispatch Reform workplan. In particular, a 10MW BM threshold will form the basis of the assessment, with a 1MW threshold analysed as a sensitivity case.

These assessments allow NESO to structure clear outcome-based benefits cases and assess more robustly the risks and opportunities associated with each reform pathway.

The outputs of the CBA and Implementation Assessment are expected later this year. These will inform decision-making by Ofgem and the Secretary of State on whether to proceed with each reform. Results of these decisions, together with a plan for their implementation, will then be published, in line with the process established in DESNZ's *RNP Delivery Plan publication* earlier this year.

We will keep working with the IEP with the objective of assessing the expected cost and benefits with a clear understanding of the expected level of change, and industry impact. All the information discussed and shared with the panel will be publicly available in our website, including the CBA methodology.

We welcome your views and feedback on box.market.strategy@neso.energy.

Detailed list of CfI respondents

Profiles of respondents	Name of respondents
Academic/Research (x3)	Common Weal; UCL Institute for Sustainable Resources; University of Oxford
Code & central bodies (x4)	DCC; ELEXON Ltd; Low Carbon Contracts Company (LCCC); Smart Energy Code Company (SECCo)
Consultant (x2)	Ex ILEX/Poyry (now AFRY); Regen
Consumer Group (x2)	Citizen Advice; Consumer Scotland
Electricity Network Operator (x4)	National Grid; Scottish and Southern Electricity Networks; SP Energy Networks; SSEN Transmission
Gas Network Operator (x1)	SGN
Generator/developer (x14)	BayWa r.e.; CWP Energy Ltd; Equinor; ESB Generation & Trading; Flotation Energy Ltd; Forsa Energy Ltd; Infinis; InterGen; Nadara; Net Zero Teesside Power; OnPath Energy; Ørsted; Scottish Renewables; VPI
Interconnector operator (x2)	BritNed Development Limited; ELECLINK
Investor (x1)	Gore Street Capital
Power Exchange/market operator (x3)	Electron; EPEX SPOT SE; Nord Pool European Market Coupling Operator AS
Storage/flexibility provider (x13)	AMP Clean Energy; Brook Green Supply; Eelpower Energy; Eku Energy; Fidra Energy; Field Energy; Flexitricity Limited; Habitat Energy; JOULEN; Statera Energy; Tesla; XceCo Ltd.; Zenobe Energy Limited
Trade association/Industry body (x13)	Association for Decentralised Energy; British Hydropower Association; Electricity Storage Network; Energy Networks Association; Energy Traders Europe; Energy UK; Flexible Generation Group; Hydrogen UK; Offshore Energies UK (OEUK); REA; Renewable Energy Association; RenewableUK; Startup Coalition
Trader (x3)	COMCOM TRADING; Outlook Energy; Volcore
Vertically Integrated Company (x16 includes suppliers)	Centrica; Conrad Energy; Drax Group; E.ON UK; Ecotricity Smart Grid; EDF Energy; ENGIE UK; EP UK Investments; Octopus Energy; RWE Supply & Trading; ScottishPower; Sembcorp Energy (UK) Limited; Shell Energy UK Limited; SSE; Statkraft UK; Uniper