Reformed National Pricing Balancing, Settlement and Dispatch Call for Input Questions

Reform principles

Q1. Reform principles and inherent trade-offs

Do the stated balancing and dispatch reform principles identified in Section 2.2 provide a coherent and achievable framework under a national pricing, self-dispatch market design?

Please consider:

- Whether the principles conflict (e.g. transparency vs liquidity, clear handover vs flexibility).
- Which principles should take priority, or where trade-offs arise. Please provide your prioritisation of principles.
- Whether any additional principles, or changes to existing principles are required to ensure reforms support the future system needs.

Q2. On a scale of 1–5, how confident are you that the balancing and dispatch reform principles set out in Section 2.2 (efficient operational signals, clear handover of balancing responsibility, secure and efficient operation of the system) are a suitable framework for reform under a national pricing, self-dispatch market design?

Scale:
1 = Not confident
5 = Very confident

Challenges to Address

Q3. System challenges and causal drivers

To what extent do you believe each of the challenges in defined in Section 2.3 contribute to current and future redispatch volumes and costs?

In your response, please comment on:

- Which challenges you consider structural drivers versus secondary symptoms
- Whether any challenges are over- or under-emphasised relative to the others
- Evidence from your operations, experience, knowledge of the market, and empirical or anecdotal evidence that supports alternative interpretations of redispatch growth.

Q4. On a scale of 1–5, how impactful do you consider the operability and cost challenge from increasing redispatch to be for the GB system over the next 5–10 years?

Q5. On a scale of 1–5, how impactful do you consider the challenge of insufficient visibility of and access to balancing resources (particularly distributed and flexible assets) to be for secure and efficient system operation?

Q6. On a scale of 1–5, how impactful do you consider the challenge of misalignment and overlap between the wholesale market and balancing (including overlapping

timeframes and conflicting signals) to be for market functioning and NESO's role as residual balancer?

Q7. On a scale of 1–5, how impactful do you consider the challenge of distorted wholesale price signals and incentives to exacerbate system constraints (including opportunities for strategic positioning around congestion) to be for investment and consumer outcomes?

Scale:
1 = Low impact
5 = High impact

Effectiveness of the Balancing Reform Package

Q8. Impact on redispatch volumes, actions, costs:

Do you agree with the interactions and dependencies in the reform package defined in Section 3 to manage redispatch volumes, actions, and costs, do you see any gaps?

In your response, please comment on:

- The volume, timing, cost, and predictability of redispatch actions.
- NESO's ability to act as a residual balancer, rather than a de facto scheduler?
- Interactions with other reforms, such as P462 or other RNP reforms, that could amplify or diminish their impact on redispatch.

Please distinguish between expected impacts in the early transition period and the enduring state.

Q9. Market behaviour and strategic response:

How do you expect market participants' behaviour to change in response to the balancing reform package defined in Section 3?

Please reflect on:

- Changes in trading, scheduling, and risk-management strategies
- Potential new optimisation, arbitrage, or strategic behaviours that could emerge
- Which design features are most important to mitigate unintended outcomes

Q10. Distributional and competitive impacts:

What distributional impacts do you expect across different participant types and technologies as a result of the full balancing reform package implementation defined in Section 3?

Please consider:

- Impacts on generators (by technology), suppliers, storage, aggregators, DSOs, interconnectors, and consumers.
- How this change would affect your business operations (operational practices, trading strategies, and risk management).

- Whether impacts are temporary (transition-related) or structural for the market operation.
- Where targeted transitional measures may be justified, and where they could create longer-term distortions

Q11. On a scale of 1–5, how confident are you that the balancing reform package as described in Section 3 will materially improve operational efficiency and support NESO in managing the four challenges identified in Section 2.3?

Scale:
1 = Not confident
5 = Very confident

Reform 1 Lower Mandatory Balancing Mechanism Threshold

Q12. Cost, benefits and implementation impacts

What implementation and ongoing costs should NESO consider associated with lowering the mandatory BM threshold reform, and what operational benefits or opportunities do you expect?

Please comment on:

- Implementation timelines and associated costs, including feasibility of phased rollout, retrospective application and target BM threshold.
- Which asset types or business models face the most material implementation and operational cost impacts, and where the reform may generate net benefits across your portfolio.
- How the reform would change your cost exposure when providing or using flexibility services
- Interactions with DSO flexibility arrangements or flexible connection agreements that may increase or decrease costs or benefits.

Q13. Proportionality and implementation

What barriers or challenges might smaller participants encounter with lowering the BM threshold? What steps could be taken to manage impacts, while ensuring the stated objectives of enhanced visibility and access are achieved?

Please comment on:

- Proportionality of compliance requirements.
- The role of aggregators or alternative access routes.
- Transitional arrangements/incentives to support parties in meeting BM obligations.
- Any specific risks to competition or market access that we should consider.

Q14. On a scale of 1–5, how confident are you that lowering the mandatory BM participation threshold will significantly improve visibility and access to balancing resources, while remaining proportionate in terms of costs and obligations?

Scale:
1 = Not confident
5 = Very confident

Reform 2 Aligning Market Trading Deadline with Gate Closure

Q15. Risk allocation and market functioning

How would aligning the market trading deadline with gate closure reallocate forecast, imbalance, and operational risk between market participants and NESO?

Please consider:

- Impacts on trading liquidity and intraday risk management.
- Current use of post-gate-closure trading.
- Effects on different technologies and business models.
- Whether the reform strengthens or weakens the clarity of balancing responsibility.

Q16. Implementation timelines, costs and transition considerations

What implementation and ongoing costs should NESO consider associated with aligning the market trading deadline with gate closure?

Please comment on:

- Implementation timelines and costs of adapting trading systems and internal processes to an earlier deadline.
- Cross border or contractual factors that may increase cost or extend implementation timelines.
- Any ongoing cost implications of the change.

Q17. On a scale of 1–5, how confident are you that aligning the market trading deadline with Gate Closure will improve clarity of balancing responsibility and reduce inefficient overlap between market trading and NESO balancing actions?

Scale:
1 = Not confident
5 = Very confident

Reform 3 Physical Notifications Matching Traded Positions

Q18. Costs, benefits and implementation feasibility of FPN to match traded positions

What implementation and ongoing costs should NESO consider associated with implementing FPNs to match traded positions?

Please comment on:

- Implementation and ongoing costs, including system changes, forecasting processes, and compliance requirements.
- Differences in cost and implementation timelines between portfolio level and unit level approaches.

- How differing technologies within a portfolio may affect the complexity, cost, and practicality of implementing the reform.

Q19. Risks, tolerances and exemptions

What risks or unintended consequences could arise from the different scenarios proposed for FPN to match traded positions under portfolio bidding or unit bidding, and how should tolerances or exemptions be designed?

Please comment on:

- Technology-specific and contract structure differences.
- Potential gaming or risk-shifting behaviours.
- Governance and enforcement considerations during transition.
- Whether obligations should differ between aggregated portfolios and disaggregated unit-level positions.

Q20. On a scale of 1–5, how confident are you that requiring FPN to match traded positions will improve forecasting accuracy, transparency, and NESO's operational confidence, without creating disproportionate implementation or compliance risks?

Scale:
1 = Not confident
5 = Very confident

Reform 4 Unit Level Bidding

Q21. Value of unit-level granularity:

What benefits and risks do you associate with introducing unit-level bidding and nominations in the wholesale market, including the potential requirement to submit these at Day-Ahead and Intra-Day stages?

Please address and specify when referring to Option 1 or Option 2:

- How this change could support alignment between physical notifications and final traded positions.
- Impacts on visibility pre-gate closure, market monitoring, and deterrence of inefficient, strategic behaviours.
- Potential effects on liquidity, price formation, and participant risk exposure.
- Differences between physical (Option 1) and financial (Option 2) approaches, including operational complexity and portfolio aggregation challenge (e.g. breaking down aggregated positions into individual unit bids, managing compliance across diverse assets).

Q22. Cost, proportionate granularity and implementation timelines

What implementation and ongoing costs should NESO consider associated with implementing unit level bidding? What level of unit granularity would be practical and proportionate to deliver meaningful system benefits?

Please address and specify when referring to Option 1 or Option 2:

- Implementation and ongoing costs, including IT, data, and compliance requirements associated with different unit-level approaches.
- Practicality and proportionality of different levels of granularity (the extent to which positions are broken down purely to BMU level or aggregated by GSP group), and where the balance lies between system value and implementation burden.
- Implementation timelines and key dependencies, including interactions with cross-border market coupling and the provision of ancillary services.

Q23. On a scale of 1–5, how confident are you that unit-level bidding (option 1 physical) will materially enhance transparency, scheduling, and market monitoring, relative to its complexity and transition costs?

Q24. On a scale of 1–5, how confident are you that unit-level bidding (option 2 financial) will materially enhance transparency, scheduling, and market monitoring, relative to its complexity and transition costs?

Scale:
1 = Not confident
5 = Very confident

Reform 5 Shorter Settlement Period

Q25. Temporal efficiency and system outcomes:

How effective would shorter SPs (e.g., 5 or 15 minutes) be in addressing temporal inefficiency, imbalance volatility, and the use of fast-acting flexibility?

Please consider:

- Whether settlement granularity should move in step with other market timelines (e.g. gate closure, trading deadlines)
- Operational and commercial impacts on your organisation
- Interactions with imbalance pricing and balancing actions
- Which market participant cohorts would benefit most from shorter SPs, and how could this inform staged implementation?

Q26. Cost, deliverability and implementation timelines for shorter SPs

What are the principal implementation and ongoing cost drivers in delivering shorter settlement periods (5 or 15 minutes), and how can these be mitigated to ensure a smooth transition?

Please comment on, identifying any differences between 5 and 15 minutes:

- Implementation and ongoing cost drivers, including system upgrades, metering changes, data and forecasting requirements, and impacts on internal operational processes.
- Practical and logistical challenges of metering upgrades or installations, and supplier system readiness.

- Implementation timelines and feasibility of phased vs. single step migration, including key dependencies (e.g. digitalisation progress, readiness of trading and settlement systems, metering upgrades).
- Transitional arrangements—such as shadow settlement or staged go live—that could support a stable migration.

Q27. On a scale of 1–5, how confident are you that shorter SPs (e.g. 5 or 15 minutes) will materially improve temporal efficiency and use of fast-acting flexibility, given current and planned system, data, and metering capabilities?

Scale:
1 = Not confident
5 = Very confident

Reform Package Cost–Benefit Analysis and Evaluation Framework

Q28. To what extent do you agree with the proposed CBA methodology and evaluation framework, and are there additional factors NESO should consider?

Please focus your response on:

- Whether you agree with the overall CBA approach and methodology, and whether any important factors are missing.
- Expected operational or market behaviour impacts (e.g. forecasting, trading strategies, operational planning) that should be reflected in the CBA.
- Key risks or uncertainties (e.g., liquidity impacts, forecasting uncertainty, operational risks) that should be captured in sensitivity analysis.
- How your organisation typically estimates implementation costs (e.g. CAPEX vs OPEX, system upgrade cycles), and any practical challenges in providing robust cost estimates for the balancing reform package.
- Any distributional or competition impacts that should be included to distinguish system wide benefits from simple cost transfers.
- Which post implementation metrics or indicators would be most meaningful to assess success.

Reform Package Implementation Roadmap

Q29. To what extent do you agree with the proposed approach to developing the implementation roadmap, and what practical considerations should NESO take into account?

In your response, please comment on:

- Whether you agree with the overall approach to sequencing and phasing reforms, and whether any important elements are missing.
- Practical insights on implementation timelines and organisational readiness, including internal lead times, required system changes, and interactions with other industry programmes.

- Key dependencies and risks NESO should account for (e.g. digitalisation constraints, system readiness, regulatory interactions, potential bottlenecks across the current market change pipeline).
- Transitional arrangements that may ease implementation, such as phased migration, shadow operation, or alternative access routes for smaller participants.
- Any evidence or experience (e.g. data availability, expected operational impacts, lessons from previous programmes) that would materially improve the practicality or proportionality of the roadmap.

Dispatch Reform

For all the following questions refer to Section 5.

Q30. Objectives and Design Principles

What should be the primary objectives and guiding principles for investigating any future dispatch reform in the GB electricity market?

Please address:

- How dispatch reform could improve system efficiency, transparency, and cost-effectiveness.
- The role of market signals versus centralised instructions in achieving these objectives.
- Key considerations for maintaining competition and liquidity under new dispatch arrangements.

Q31. Market and Operational Impacts

What impacts—positive or negative—could dispatch reform have on market participants and system operation?

Please comment on:

- Dynamics and interactions between market participants and system operation, as illustrated in the diagrams.
- Effects on trading strategies, risk management, and portfolio optimisation.
- Implications for different participant types (generators, suppliers, aggregators, storage, DSOs, interconnectors).
- Potential interactions with other reforms (e.g., unit bidding, shorter SPs).
- Implementation and ongoing cost implications, including system upgrades, process changes, and operational readiness for participants.

Q32. Implementation Pathways and Risks

What implementation pathways and risk mitigations should NESO consider for dispatch reform?

Please address:

- Feasibility of phased or incremental approaches.

- Data, system, and governance requirements.
- Transitional arrangements to minimize disruption and ensure proportionality.
- Potential implementation timelines and associated costs, including required system changes and operational readiness.

Q33. On a scale of 1–5, do you agree that further dispatch reform on top of the proposed balancing reforms will be needed to meet the future operability and redispatch cost challenges described in Section 2.3 and Section 5?

Scale:
1 = Strongly disagree
5 = Strongly agree