

Public

RNP Balancing, Settlement and Dispatch Reform

Technical Questions Webinar

17/03/2026

Housekeeping



Q&A

- Questions can be submitted on [Slido](#) using the code #RNPCFI
- Please include your name and email on Slido so we can follow up or provide additional clarification if needed.
- We welcome live questions, if you wish to ask one during the Q&A session simply use the raise hand function

Webinar chat

- The chat function is enabled for this session; however, we request it is kept to flagging technical or audio issues and any questions are submitted using the above methods. Questions submitted via the chat will not be considered.

Follow up

- Slides will be shared on our website after the session
- The Q&A session will not be recorded, however questions and answered will be published to our website

Agenda

Item	Detail	Time	Who
DESNZ introduction	<ul style="list-style-type: none">RNP overview	5 mins	Jonathan Ward
Context	<ul style="list-style-type: none">Status of current workPurpose of today	5 mins	Cian McLeavey-Reville
Balancing reform	<ul style="list-style-type: none">Rationale and impacts of the five balancing reforms	15 mins	Stuart Miller and Danny Taylor
Dispatch reform	<ul style="list-style-type: none">Case for dispatch reform and potential reform options	10 mins	Rob Westmancoat
Previously asked questions	<ul style="list-style-type: none">High-level overview of industry questions so far	5 mins	Cian McLeavey-Reville
Q&A	<ul style="list-style-type: none">Live Q&A with our panel	50 mins	NESO panel

Reformed National Pricing Overview



- RNP is a portfolio of reforms being jointly developed and delivered by DESNZ, NESO and Ofgem.
- The core objective of RNP is to deliver an efficient power system and keep bills as low as possible.

RNP FOCUS AREA	AIMS	KEY ACTIONS	EXPECTED OUTCOMES
Siting & Investment Levers	Ensure investment happens in the right times and places across our power system, tackling the constraints problem long term.	Align the policy levers that influence investment decisions to deliver the Strategic Spatial Energy Plan.	Efficient system build-out, reduced long-term costs.
Constraints Reduction	Further reduce the cost of network constraints ahead of 2030.	Accelerated network build; smart-grid measures.	Major cost savings by 2030; lower consumer bills.
Balancing & Settlement Reforms	Improving how markets operate so that NESO can continue to run the power system in real-time reliably and at lowest cost.	Final Physical Notification matching; Balancing Mechanism threshold reduction; gate closure alignment.	Lower redispatch costs; improved system operability.

Context

Purpose of today

- Share our thinking on balancing and dispatch reform reflecting initial feedback and conversations with industry
- Address frequently asked questions to ensure all relevant information relating to the Call for Input is public
- Live Q&A to allow industry to directly engage with the NESO team

Industry engagement throughout

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
- Engage with industry to build a shared understanding of the reforms and their impacts

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
- 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 responses

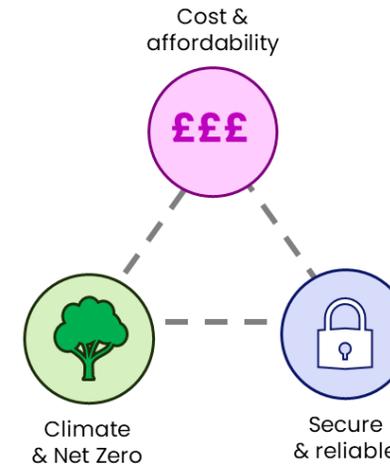

We are here

Context

Balancing and dispatch reform

Balancing and dispatch arrangements must support a secure and cost-effective clean power system, efficient investment and provide enduring value for consumers. This must balance:

- Maintaining system reliability and operability
- Operating the system at lowest cost to consumers
- Supporting decarbonisation objectives



Balancing and dispatch challenges

-  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



Balancing reform

- Lower mandatory BM participation threshold
- Alignment of the market trading deadline with Gate Closure
- FPNs that must match traded positions
- Unit-level bidding
- Shorter Settlement Period

Dispatch reform

- Explore dispatch reform options with a view to improving system operability and reducing consumer costs

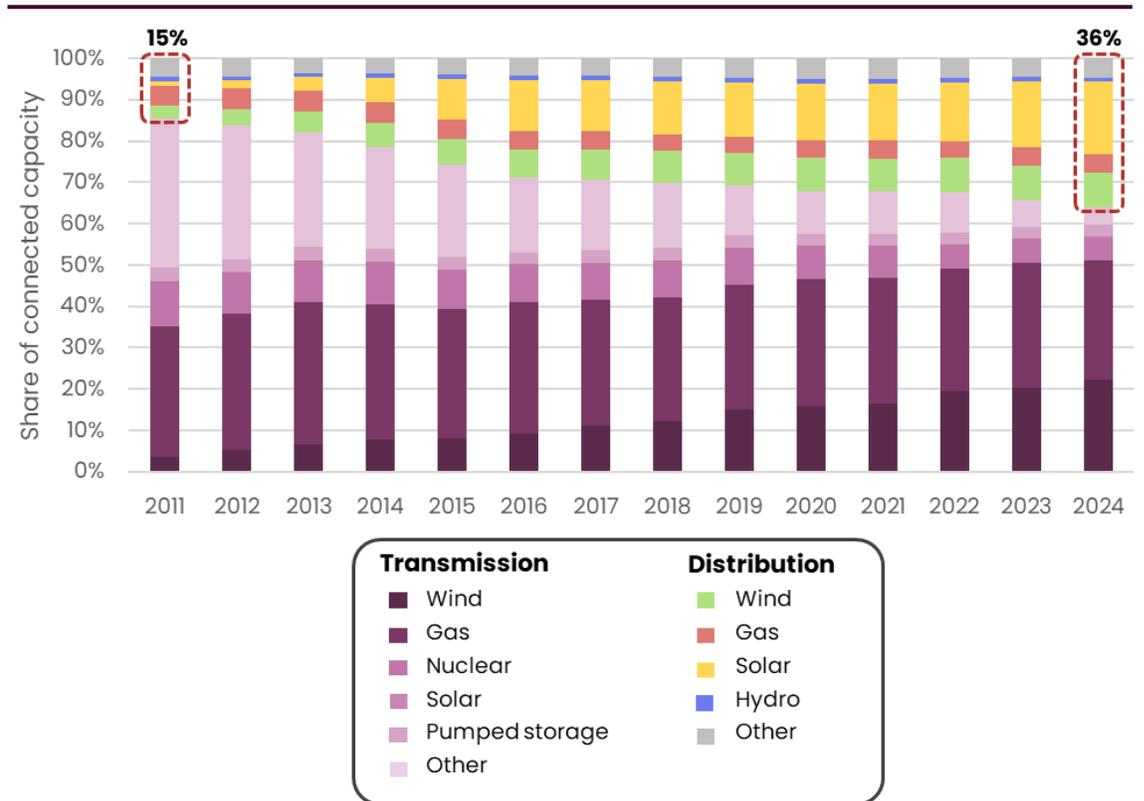
Lower Mandatory BM Participation Threshold

- The volume of non-BMU generation has increased significantly.
- These resources are not visible or accessible by NESO, leading to high operational uncertainty.
- Improving NESO visibility and access supports enhance forecasting, network planning and more efficient operation of a clean power system.



- A lower threshold would increase competition in the BM, provide NESO with more operational information and access to flexible capacity, and mitigate NIV chasing.
- However, this must be balanced with the barriers and requirements facing smaller market parties to enter the BM, and implementation challenges for NESO systems.

Installed capacity in GB, by connection type



Source: NESO analysis, DUKES

Lower Mandatory BM Participation Threshold

Considerations

Expected impacts on the BM

- It is expected there will be more liquidity and competition in the BM, potentially leading to a decrease in balancing costs.
- Improved visibility of smaller units will enable better forecasting and more efficient redispatch actions.

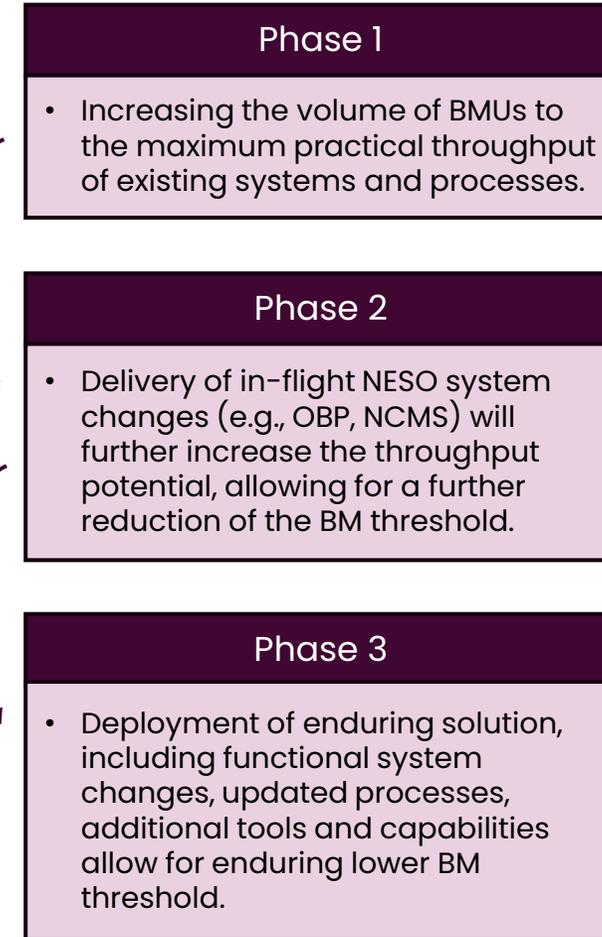
Consequences and considerations of lowering the threshold

- Changes and simplification to the BM registration process to facilitate greater volumes of units entering the BM are under consideration.
- Further consideration must be given to TSO/DSO coordination and primacy rules prior to implementation of the enduring solution.
- Costs and obligations for market participants needs to be considered against the benefits of the reform, including possible retrofitting for existing assets.

How will your feedback shape the reform?

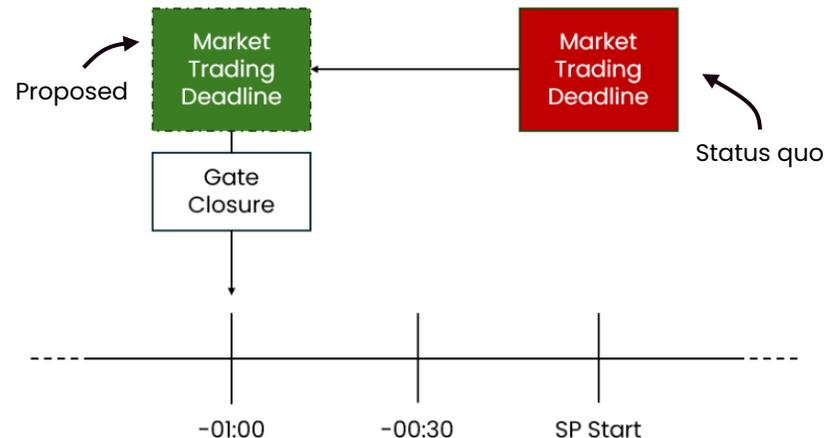
- It is expected that implementation will be phased, however the specifics of this and the exact thresholds may change based on industry feedback and CBA results.
- What support is required, particularly for smaller parties, on managing the impacts of having to meet BM obligations, and could alternative access routes or aggregators aid with this?
- What other impacts or consequences have not been considered?

Proposed implementation strategy



Align market trading deadline with Gate Closure

This reform would (re-)align the market trading deadline, which is currently the start of the respective Settlement Period, with BM gate closure:



- This would provide more certainty on the actions required post-Gate Closure, as wholesale market trading and NESO balancing actions are no longer occurring simultaneously.
- This could reduce instances whereby energy balancing by the market after Gate Closure unintentionally leads to higher balancing volumes during periods of network constraints

BSC Modification P342 "Change to Gate Closure for Energy Contract Volume Notifications"

Rationale

- P342 was expected to give participants access to more accurate information on expected imbalance prices and metered positions.

What's changed?

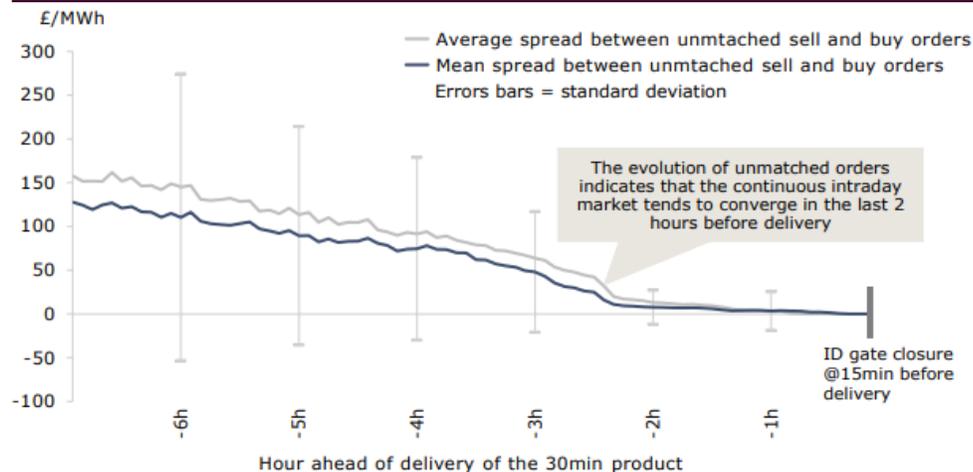
- It was recognised at the time that P342 could allow some market parties to change their positions after Gate Closure in ways which could have impacts on operating the system.
- Since the approval of P342 in 2017, two system developments have amplified these impacts:
 - The growth of flexible resources outside the BM which are not bound by PNs
 - The significant increase in transmission network constraint volumes and costs

Align market trading deadline with Gate Closure

Impacts on the market:

- There is a potential trade-off between increasing certainty and visibility for NESO to manage redispatch and market liquidity and flexibility close to real-time through reduced trading opportunities
- This could increase balancing volumes under low-constraint conditions by restricting trading that might otherwise have reduced BM actions
- Market participants, particularly those with intermittent generation, could face higher imbalance risk by having to finalise to contracted positions with less certainty over expected output and imbalance prices

Unmatched buy and sell orders spread on GB intraday market



Source: [Afray Scheduling and Dispatch Case for Change](#)

Implementation assumptions

- Power exchanges will be required to update products to restrict trading post-Gate Closure
 - Impact to be limited to EPEX continuous intraday market (TBC)
- Market Participants will be required to update systems and trading strategies to comply with earlier market deadline
- Additional emphasis on short-term (intra-day) forecasting for market participants (particularly intermittent generation) by removing the option to trade out imbalance post gate closure.

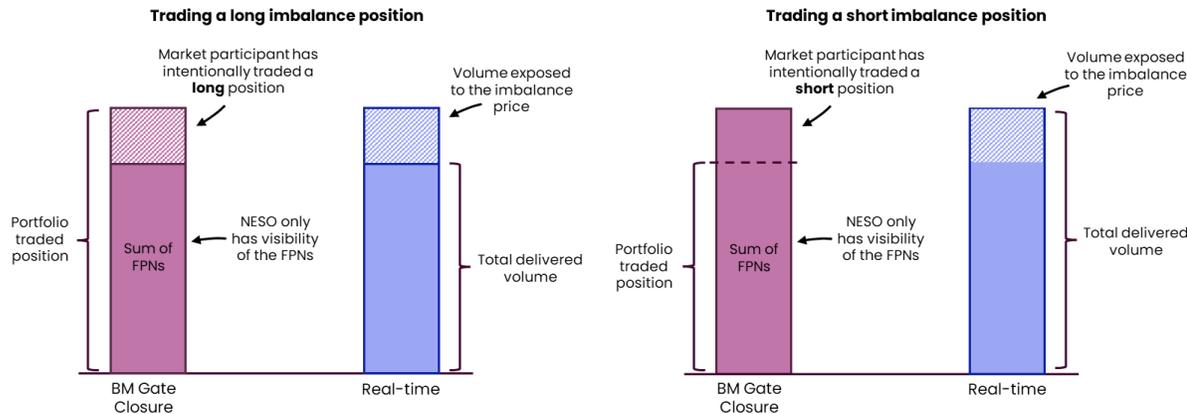
PNs match traded position

- Today, there is no obligation for PNs to match the wholesale market traded position.
- This means the operational plans NESO receives does not reflect the overall market position, creating an opportunity for BMUs to forecast the market length and system-balance ahead of time.

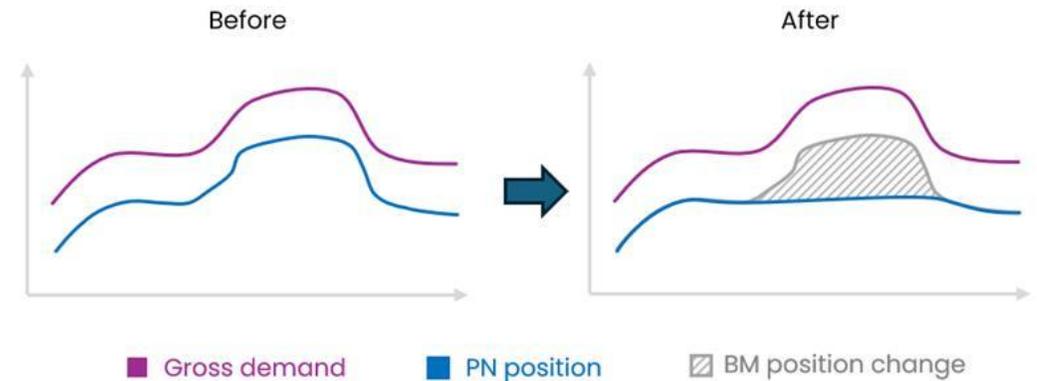
This reform would:

1. Prevent market participants from intentionally taking an imbalanced position at Gate Closure, removing the risk that NESO takes actions based on FPNs that do not reflect the market traded position.
2. Ahead of Gate Closure, aggregated traded positions would be made visible to NESO to provide a better forecast of the upcoming market position, or where to expect that PNs might change as the market trades out an imbalanced position.

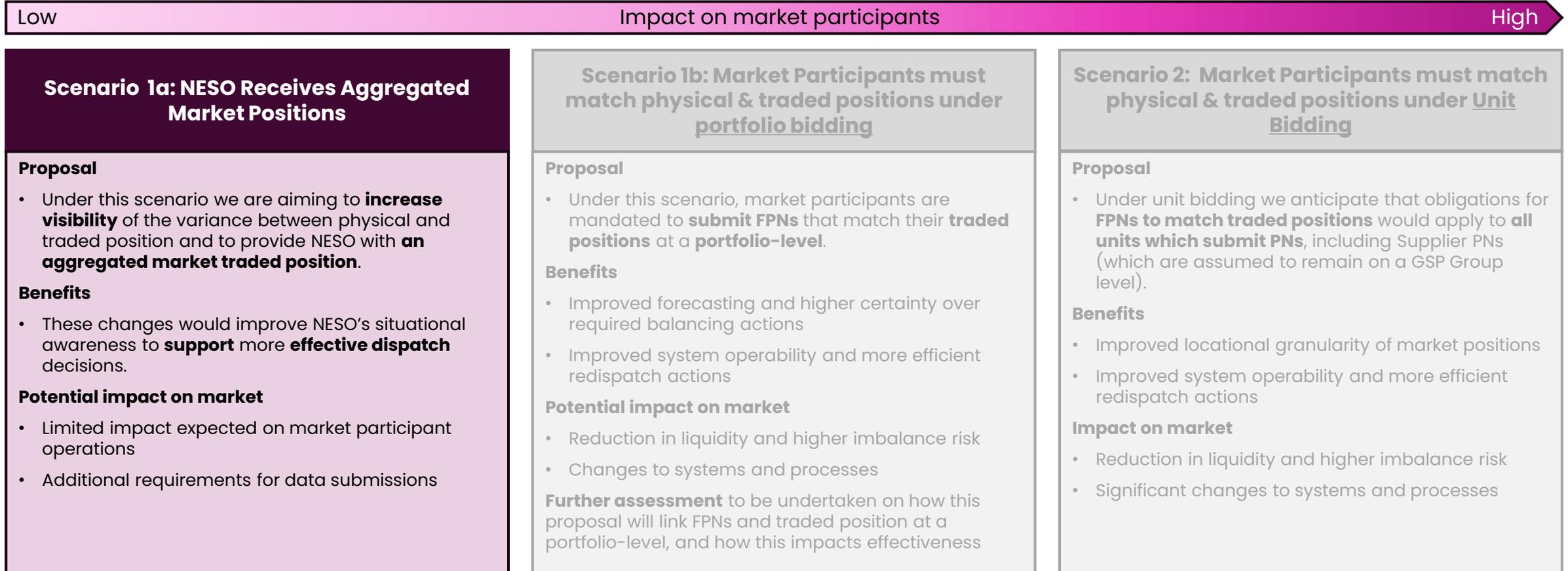
1 Strategic imbalance positioning



2 Operational uncertainty pre-Gate Closure



PNs match traded position



PNs match traded position

Low

Impact on market participants

High

Scenario 1a: NESO Receives Aggregated Market Positions

Proposal

- Under this scenario we are aiming to **increase visibility** of the variance between physical and traded position and to provide NESO with **an aggregated market traded position**.

Benefits

- These changes would improve NESO's situational awareness to **support** more **effective dispatch** decisions.

Potential impact on market

- Limited impact expected on market participant operations
- Additional requirements for data submissions

Scenario 1b: Market Participants must match physical & traded positions under portfolio bidding

Proposal

- Under this scenario, market participants are mandated to **submit FPNs** that match their **traded positions** at a **portfolio-level**.

Benefits

- Improved forecasting and higher certainty over required balancing actions
- Improved system operability and more efficient redispatch actions

Potential impact on market

- Reduction in liquidity and higher imbalance risk
- Changes to systems and processes

Further assessment to be undertaken on how this proposal will link FPNs and traded position at a portfolio-level, and how this impacts effectiveness

Scenario 2: Market Participants must match physical & traded positions under Unit Bidding

Proposal

- Under unit bidding we anticipate that obligations for **FPNs to match traded positions** would apply to **all units which submit PNs**, including Supplier PNs (which are assumed to remain on a GSP Group level).

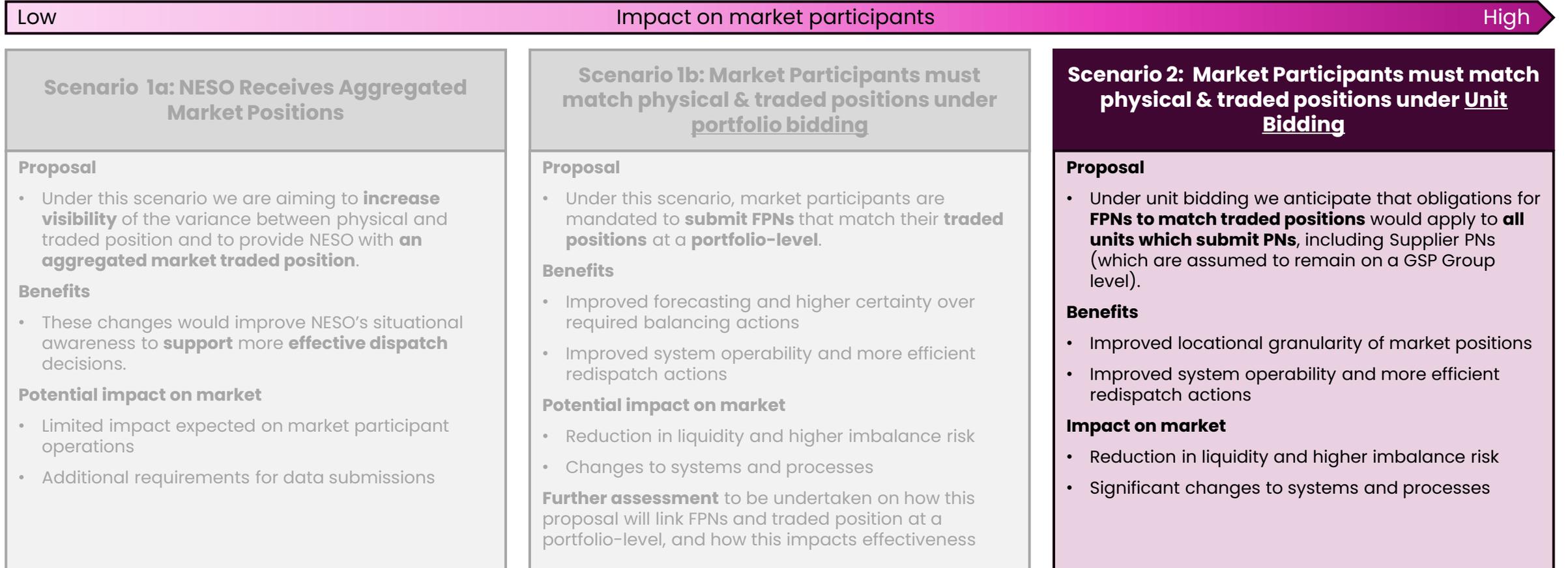
Benefits

- Improved locational granularity of market positions
- Improved system operability and more efficient redispatch actions

Impact on market

- Reduction in liquidity and higher imbalance risk
- Significant changes to systems and processes

PNs match traded position



Unit-level bidding

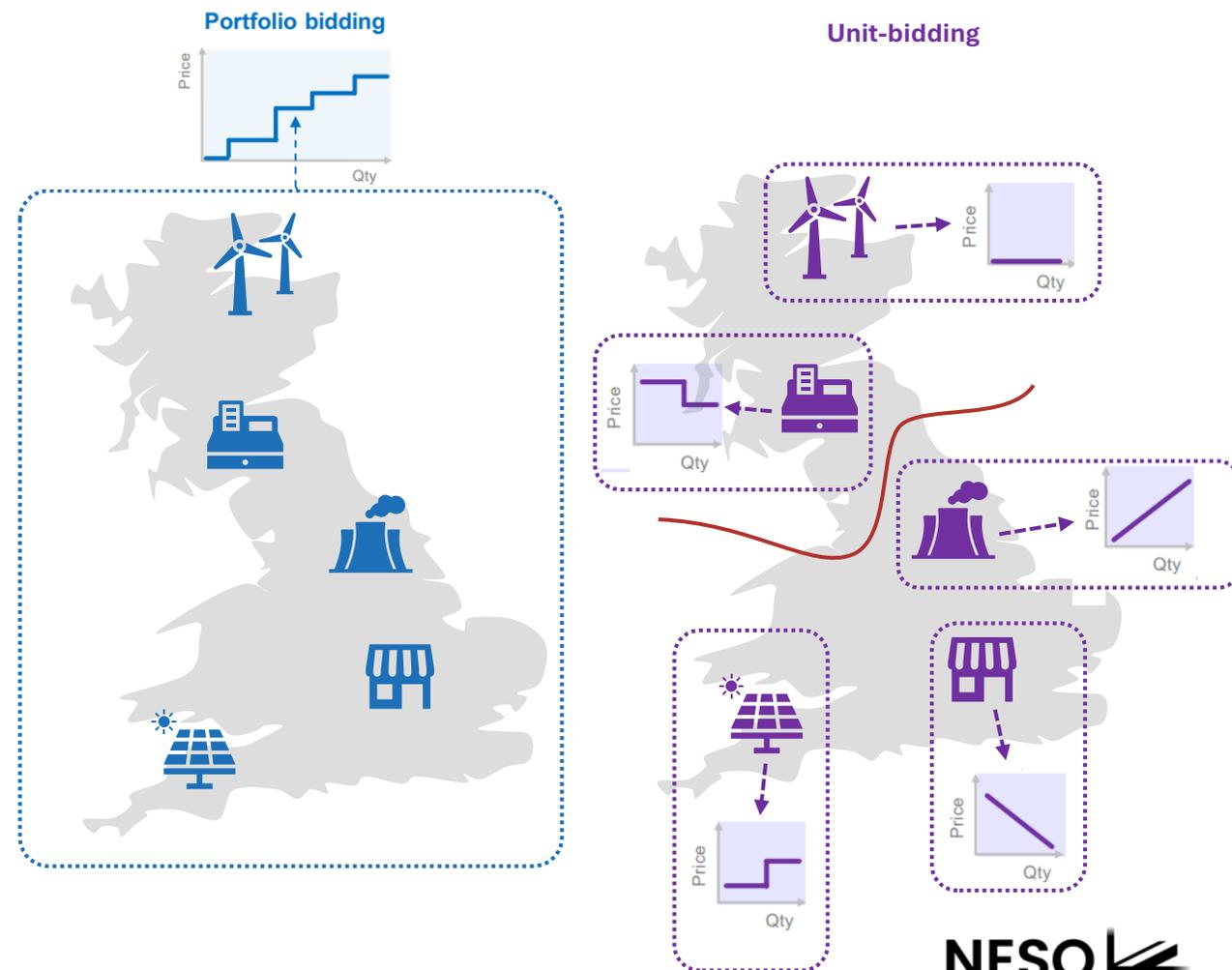
Portfolio or unit-bidding determines whether or not the bids which participants submit in the wholesale market must relate to a particular unit, and how imbalance volumes are settled.

Portfolio-bidding

- GB operates on a portfolio basis; it is argued that this gives flexibility to market parties to balance their portfolios.
- However, market monitoring is more difficult because assets are not offered at an individual unit level.

Unit-bidding

- Seeks to increase the ease at which Ofgem, NESO and other parties can investigate the market for behaviour that exploits inefficiencies in the market that arise, e.g. due to the lack of locational signals.
- Could also provide a more level playing field between small and large market participants, since only large parties can benefit from portfolio effects.



Unit-level bidding

Proposed implementation options

Market timeframe	Option 1	Option 2
Forward	Physical trading at portfolio-level	Financial trading at portfolio-level
Day-ahead	Assign portfolio-level positions to units	Gross pool day-ahead market at unit-level
Intraday	Update disaggregated positions to reflect ID trades	Intraday auctions at unit-level
BM	Unit-level bids/offers	Unit-level bids/offers

Implementation considerations

Market impacts

- Unit bidding would represent a significant change to the current market arrangements, requiring market participants to revise trading strategies and to deliver changes to proprietary systems and processes.
- Impacts expected to be higher for portfolios containing many assets, both during transition and on an enduring basis.

Additionally for Option 2 (significant impacts):

- Market participants need to establish new processes for financial trading in forward timescales.
- Increase in operational overheads, including changes to the level of collateral required and processes for managing collateral are expected.
- Concerns over liquidity in financial-based forward markets versus physical-based ones.

Central body impacts

Elexon

- Update settlement processes/systems to reflect unit-level ECVNs and aggregation rules.

Power Exchanges

- Ensure processes and systems can handle increase in volume due to unit-level trading.

Additionally for Option 2 (significant impacts):

- Establish gross pool market operator (would involve determining responsible entity, code changes, processes, systems, interfaces).

Shorter Settlement Period

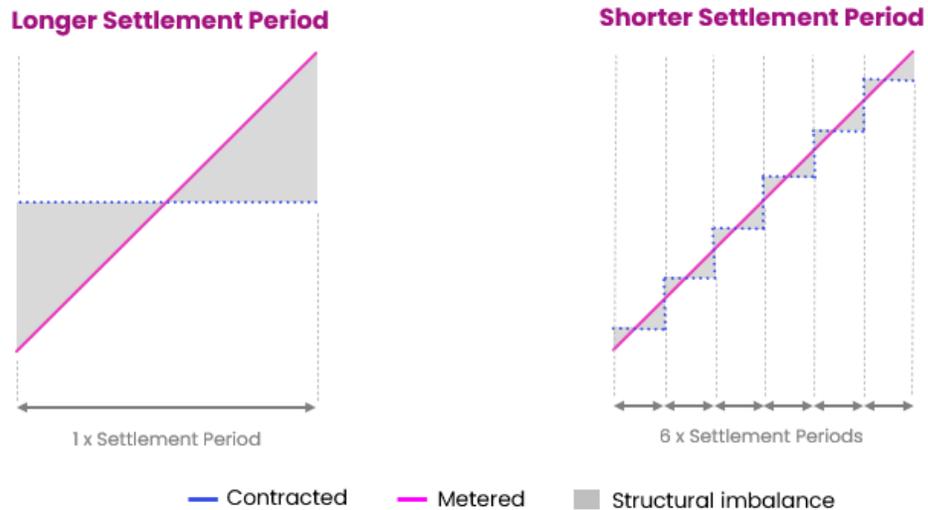
Current state:

- **SP Length:** 30 minutes
- The Settlement Period defines the time period for which transactions are settled for energy bought and sold.
- Market participants are responsible for ensuring their contracted and metered positions are balanced over each Settlement Period. Any imbalances are settled at the imbalance price.

Proposed future state:

- **SP Length:** 15 or 5-minutes
- **Market Segment:** Wholesale and retail markets, with a phased implementation
- **Transitional Arrangements:** Assumption that the wholesale market will transition first, followed by the retail market.
- **Trading Arrangements:** New MTU products that align to SP length will be required

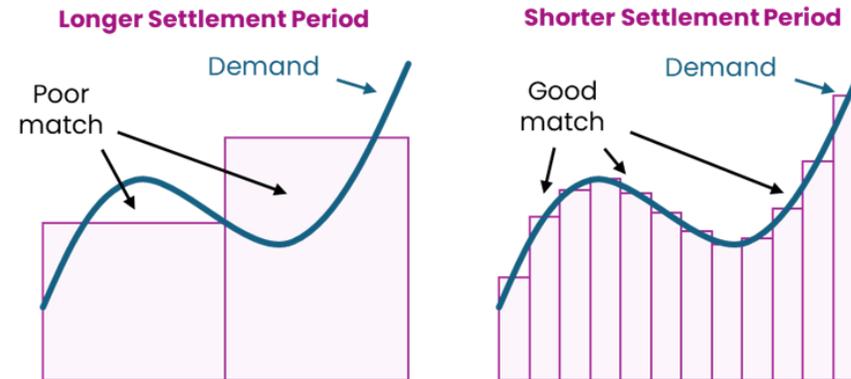
Impact of SP length on imbalance



Metered volumes better align with contracted positions, reducing structural imbalances



Impact of SP length on market trading



This creates more shape in market traded positions to better match the demand curve

Shorter Settlement Period

Proposed implementation strategy

Phase 1

- Wholesale market is migrated to shorter Settlement Period
- Retail market is profiled to shorter Settlement Periods for imbalance settlement

Phase 2

- Implementation of a shorter SP extended to the retail market
- Data Collection & Retail Market Systems will be scaled and compliant with shorter SP metering whilst still handling legacy metering

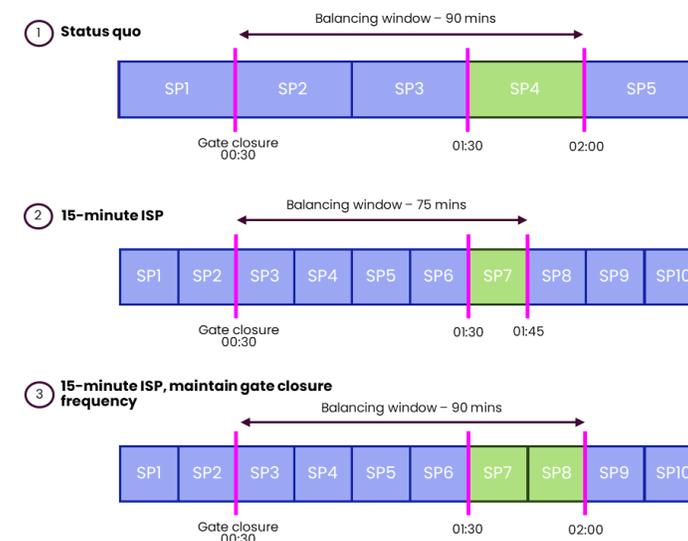
Implementation considerations

Impact on balancing

- A shorter SP would introduce a **tighter gate closure effect**; this could exacerbate intertemporal issues for assets with long Notice to Deviate from Zero times.
- In turn, actions with intertemporal impacts beyond the balancing window can have consequential impacts on the imbalance price
- Improved control room capabilities would be required to handle increased volume of data

Impact on the market

- MHHS is a key enabler in unlocking domestic flexibility, we therefore must understand the impact of the two-phase implementation approach
- Higher volatility and price risk requiring changes to trading strategies
- Significant implementation effort for all impacted, and costs associated with meter upgrade, managing higher data volumes, changes to systems and processes



Dispatch reform: Case for reform

“We believe that there is more that could be done to meet the overall RNP objectives, and particularly the operability and cost challenge from high levels of redispatch”

NESO RNP Call for Input

- The **proposed RNP Balancing Reforms** are expected to **provide some significant benefits**:
 - Increased supply and competition for balancing the system;
 - A clear handover of balancing responsibility between market participants and NESO;
 - Market rules that facilitate fair, efficient and transparent market
- However, even with the proposed balancing and wider RNP reforms, the **fundamental misalignment** between the **national wholesale price and locational system needs will remain**
- Significant NESO intervention could still be needed to unwind self-dispatch market positions to maintain system security; this could be **significantly challenging, inefficient, and expensive**, in turn having a **direct impact on consumer bills**

Key - theorised impact

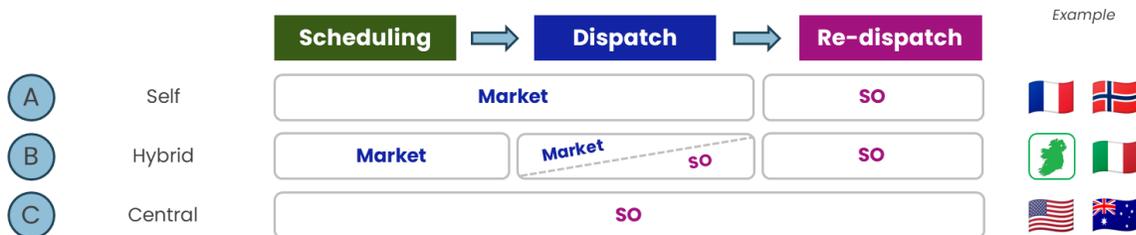
- Significant impact
- Limited impact
- Moderate impact
- No impact

Balancing and dispatch reform challenges	Balancing reforms				
	Lower BM threshold	Align MTD with Gate Closure	Unit-bidding	PNs=traded Position	Shorter Settlement Period
Operability and cost challenge from increasing redispatch	□	□	□	□	■ Significant impact
Insufficient visibility and access to balancing resources	■ Significant impact	■ Limited impact	□	■ Limited impact	□
Overlap between the wholesale market and balancing	■ Significant impact	■ Significant impact	□	■ Significant impact	□
Distorted wholesale price signals, and incentives to exacerbate constraints	□	■ Limited impact	■ Moderate impact	□	■ Moderate impact

Dispatch reform: Options

Types of dispatch arrangements

The main differences between dispatch arrangements are around how the scheduling and dispatch positions of units are set, and how any misalignment between those positions and the physical needs of the system are resolved. The greater the misalignment, the more re-dispatch will be needed.



A Self

- Market participants are allowed to trade between each other, without reference to the System Operator
- They optimise their own schedules and dispatch positions to maximise profit and to manage risk
- The System Operator re-dispatches from the final market positions to meet physical needs at lowest cost of deviation
- Price signals can be used to incentivise market participants to trade in ways that align to system needs (e.g. imbalance & locational pricing)

B Hybrid

- Typically uses self-dispatch as the starting point, for some or all assets
- System Operator then has a formal balancing role at an earlier stage, either:
 - in parallel to the market, or
 - taking over from the market participants
- e.g. early re-dispatch, market restrictions, taking over balance responsibility

C Central

- Market participants transact through a centralised market run by the System Operator
- Schedules and dispatch position are decided through a centralised market algorithm
- Aim to minimise the overall cost of meeting energy and system needs
- Minimal re-dispatch is needed, as the previous steps directly reflect the physical needs of the system
- Incentives are focused on units following the dispatch positions

Areas where we think Dispatch reform could help:

- SSEP and associated siting levers:** providing operational signals and arrangements for using assets economically and efficiently across the network
- Constraint Management:** facilitating better pre-Gate Closure management, more efficiently utilising storage assets around constraints, and better align and manage interconnector flows.
- RNP balancing reforms:** creating earlier alignment between the market position and the needs of the system

Status of dispatch reform in RNP

- As part of the 2024 REMA Autumn update, DESNZ adopted a minded-to position not to take forward central dispatch.
- However, given the challenges outlined previously, NESO, DESNZ and Ofgem will continue to explore a range of other dispatch reform options with a view to improving system operability and reducing costs for consumers.
- Any reform to dispatch arrangements must satisfactorily address a number of key requirements, including: delivering benefits for consumers, ensuring future system operability, maintaining investor confidence, and ensuring compatibility with the Government's legal obligations and international agreements
- We are seeking views from stakeholders on the case for Dispatch Reform in this Call for Input.**

Next steps

- The Balancing, Settlement and Dispatch Expert Panel will be confirmed shortly
- The Call for Input will close on 14 April 2026
- Then move to next phase of work: reviewing and incorporate responses, and begin process for conducting the CBA and implementation assessment

Industry engagement throughout

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
- Engage with industry to build a shared understanding of the reforms and their impacts

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
- 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 responses



Move to next phase

Q&A: NESO panel

Moderator



Lizzie Timmins
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Strategy Lead



Stuart Miller
Market Strategy Lead



Danny Taylor
Market Strategy Lead



Maitreya Dange
Implementation
Strategy Analyst



Scan to access Slido

Previously asked questions

Stakeholders asked

NESO response

Evidence, proportionality and case for reform

- The strength and transparency of the evidence base underpinning RNP proposals (e.g. NIV chasing, impacts of P342, FPNs vs outturn).
- Whether issues can be empirically demonstrated, particularly around constraints being exacerbated by trading behaviour.
- Whether proposed interventions are proportionate to the problems identified, or risk over-correcting.
- There is also scepticism about whether moving the market trading deadline improves efficiency or reduces costs, versus increasing risk and liquidity.

- Structural changes in the system (more flexible assets, fewer assets bound by PNs, more constraints) have materially impacted system operability.
- While some behaviours may be welfare-enhancing in unconstrained network conditions, they can increase balancing actions and costs under congestion.
- The Cost Benefit Analysis (CBA) is the proposed vehicle to test proportionality, quantify trade-offs, and validate assumptions.

Market impacts and liquidity

- Wholesale and intraday liquidity, especially the role of non-physical traders (NPTs).
- Whether reforms (e.g. FPNs matching traded positions, unit-level bidding, aligning market trading deadline) could:
 - Reduce arbitrage opportunities,
 - Undermine liquidity,
 - Harm investability.
- Some stakeholders express concern for impact on certain business models and the balance between system operability and market functioning.

- Market impacts are central to the assessment, but in some cases depend on the specific reform options taken forward.
- There is no intent to exclude NPTs or undermine the role of trading; rather, we are looking at how trading activity can align better with physical system needs (but must also reduce consumer costs).
- We recognise there are trade-offs:
 - Increasing certainty and visibility for NESO to balance the system against market liquidity and flexibility.
- Wholesale market impacts will be tested within the CBA.
- Industry expertise is essential, hence there will be continued industry engagement throughout, and we have the Expert Panel.

Previously asked questions

Stakeholders asked

NESO response

Design choices

- Questions focus on specific design elements, including:
 - Lowering the BM participation threshold and associated registration costs.
 - FPNs matching traded positions versus simply improving visibility of trades.
 - Shorter Settlement Periods (e.g. 5-minute SP) – rationale, cost, and implementation risk.
 - Dispatch reform options, including co-optimisation of energy and ancillary services, and why certain models were ruled out or revisited.
- Stakeholders asked whether: Reforms address root causes (e.g. NIV chasing), or introduce complexity, risk and operational burden

- Different reforms have distinct objectives:
 - We recognise the challenges for smaller market participants of BM entry and will seek to introduce improvements where we can
 - We are considering the benefits of visibility alone, vs requiring matching of physical and traded positions
 - A 5-minute SP provides the more granular temporal signal but comes with cost and complexity trade-offs.
- Across design questions:
 - Multiple options are being explored and to be determined in collaboration with industry.
 - Final design choices will depend on CBA results and implementation assessments.

Process, governance and industry engagement

- Process credibility and sequencing, especially concerns that CBAs or assessments are starting before industry input is complete.
- Transparency over:
 - Who conducts the CBA (internal vs external),
 - How conflicts of interest are managed,
 - How stakeholder views influence methodologies and assumptions.
- Decision-making responsibilities between NESO, DESNZ and Ofgem, including timelines and routes to implementation (code vs legislation).

- The Call for Input is not a consultation on fixed proposals.
- Industry input will feed into:
 - Reform option development,
 - CBA methodologies,
 - Assumptions and sensitivities,
 - Implementation planning and impact assessments.
- NESO's position is that:
 - CBAs will be conducted by a third party, under NESO oversight, with full transparency of analysis.
 - Governance and final decisions sit with DESNZ and Ofgem, with NESO advising.
 - Continued industry engagement is required as options narrow and evidence develops.

Thankyou



[RNP Call For Input](#)

Open for responses until 14 April



[Markets Forum Registration](#)

28 April 3–5pm

**Any further questions can be sent to the RNP stakeholder team at –
box.market.strategy@neso.energy**