

# Balancing, Settlement & Dispatch

## Industry Expert Panel Terms of Reference

### 1. RNP Context

In 2022, the Government launched its Review of Electricity Market Arrangements (REMA) to assess options for reforming the GB electricity market to deliver a low-cost, secure, and decarbonised future electricity system. The REMA programme considered a wide range of options before publishing its policy outcome to progress Reformed National Pricing (RNP) in its REMA Summer Update in July 2025.

The RNP package retains the single national wholesale price in GB and introduces a series of reforms to market arrangements to increase the efficiency of the power system. The package is built around three interlinked pillars:

#### **Pillar 1 – Siting and investment levers (led by DESNZ)**

Aligning siting and investment levers across the power system behind the SSEP, to incentivise the location of new assets in optimal areas, in a way that achieves the best balance between the roles of greater strategic planning and markets

#### **Pillar 2 – Balancing, settlement and dispatch reform (led by NESO)**

A package of reforms that together will improve current balancing arrangements, enabling more secure and cost-effective operation of the system in real-time. In addition, considering the case for reform to current dispatch arrangements.

#### **Pillar 3 – Constraint management (led by DESNZ)**

A package of reforms that together will improve current balancing arrangements, enabling more secure and cost-effective operation of the system in real-time. In addition, considering the case for reform to current dispatch arrangements.

As part of the development of the balancing, settlement and dispatch reforms (Pillar 2), we are establishing an Industry Expert Panel (IEP).

### 2. Purpose

The purpose of this IEP is to provide the insights and evidence required to effectively assess design, and plan for the implementation of, the balancing and dispatch reforms. This collaborative approach will help to ensure that proposed market reforms maximise value for consumers and the system, while minimising design and delivery risks. It is vital that we work with an appropriate cross-representation of the electricity market landscape to ensure that all costs, benefits, impacts and implementation considerations are taken into account.

The IEP is an advisory panel and does not have any decision-making role. IEP discussions will not focus on whether or not these reforms should be implemented, but rather on how they would be implemented, and what the impacts would be on the revenues, costs and systems of the different segments of the market.



The IEP will operate as a workshop forum led by the NESO workstream, with topics, materials and questions set in line with the programme delivery plan. Responsibility for responding to IEP feedback and incorporating it into programme outputs remains with NESO.

### 3. Scope and timing

The scope of the IEP will cover all proposed balancing and dispatch reforms (see Annexe 1.) We expect that the IEP will provide feedback, insights and evidence to support:

- Detailed market design
- Cost benefit analyses
- Code and licence changes
- An implementation roadmap for the sector
- Impact assessments by market segment
- How reforms are communicated more broadly to industry

The IEP will start in Spring 2026 and will run in phases. The first phase will run until late 2026 with the panel feeding into the design phase. The panel will then transition to the implementation phase, to feed into the delivery phase of whatever is decided. We may need to revisit the makeup of the IEP for the implementation phase.

The focus of IEP sessions will evolve in line with programme delivery phases, including:

- early stage challenge of analytical approach, assumptions and scenarios;
- mid stage challenge of impact assessment findings and implementation feasibility;
- later stage challenge of emerging results, trade-offs and recommendation robustness.

### 4. Membership (roles, responsibilities and appointment)

The Group will comprise **of up to 28 members** representing a balanced cross-section of the energy sector and its stakeholders. The panel will be chaired by NESO. Ofgem and DESNZ will also sit on the panel in their roles as RNP Delivery Partners.

The make-up of the panel aims to ensure no single interest group has majority influence and that all perspectives are represented.

### 5. Appointment Process

- **Expressions of Interest (EOI):** NESO will invite EOIs through a public process.
  - **Selection Panel:** Head of RNP, Balancing, Settlement & Dispatch Lead, Engagement Team
  - **Selection Criteria:**
    - a. Demonstrated expertise and experience operating in the electricity wholesale and balancing markets, or in transforming systems or processes in electricity businesses
    - b. Diversity in gender, segment and sector representation.
2. The Initial panel will be made up from those expressing an interest, future appointments will be made via nominations.
- **Chair:** The Group will be chaired by NESO
  - **Secretariat:** NESO



## 6. Membership Roles and Responsibilities

The core roles are set out below:

### Members

- Bring their experience, expertise and insights to the group and contribute knowledge, data, and insights in good faith;
- Represent their sector or stakeholder group fairly and transparently;
- Act in the national interest, not solely in an organisational interest;
- Disclose conflicts of interest promptly and abide by competition law.

### Chair (NESO)

- Ensure all voices are heard, and that the conversation is collaborative, productive and action based.
- Ensure that meetings are conducted in an orderly and efficient manner, in accordance with the Terms of Reference, and
- Coordinate the agenda in collaboration with the Technical Secretariat.

### Secretariat (NESO)

- Arrange meetings and invites
- Provide administrative support;
- Coordinate meetings and distribute papers at least 5 days before the meeting;
- Prepare summaries of meetings;
- Act as a point of contact for members between meetings for IEP related matters.

## 7. Meetings

- The Group is expected to meet on a monthly basis during the design and assessment phase, with additional sessions scheduled only when required by programme milestones.
- Meetings will be held either in person, virtually or hybrid (online and in person).
- The format of the meeting will be a workshop style approach.
- It's anticipated that the meetings will be approx. 2.5 hours long, however, this is dependent on the content.
- **Subgroups** may be established, to run for a limited time, to examine specific topics.

## 8. Outputs

- We will endeavour to share pre-read content with IEP members 5 days ahead of every meeting.
- An anonymised summary of each meeting will be circulated and published on the NESO RNP webpage.
- Each workshop will be structured to generate clear feedback, challenge statements and evidence gaps, which will be documented and tracked by the programme team to inform subsequent analysis, design iteration and decision making.



## **9. Transparency and Accountability**

- Membership, terms of reference, and meeting summaries will be published on the NESO RNP Webpage.
- A review of the Group's effectiveness and membership balance will be conducted periodically.

## **10. Code of Conduct**

The IEP will be a professional, respectful and collaborative environment. All members will be respectful of differing views and opinions in order to uphold the integrity and objectives of the group.

The IEP must deliver against its purpose as set out above. If conversations stray outside of this purpose, the Chair will bring the discussion back on track.

## **11. Conflict of Interest/Confidentiality**

All members must declare any potential or actual conflicts of interest at the start of each meeting. The Chair will determine how conflicts are managed (e.g. removal from discussion).

Should any information be confidential for commercial or other reasons, the panel will be made aware and this information will not be published in the public domain.

All meetings will be subject to Chatham House Rules



## Annexe 1

### Proposed balancing reforms

The proposed balancing reforms have been identified with the Department for Energy Security and Net Zero and Ofgem to improve the operational efficiency of the system under a national wholesale market with self-dispatch.

| Reform   | Description   |
|--|---|
| <b>Lower mandatory BM participation threshold</b>                    | <ul style="list-style-type: none"> <li>• Increase NESO's visibility of and access to balancing resources: better coordination of resources to meet system needs; lower balancing costs through more efficient dispatch and increased competition; and increased system security.</li> </ul>   |
| <b>Align market trading deadline and BM Gate Closure</b>             | <ul style="list-style-type: none"> <li>• This reform would reverse Balancing and Settlement Code (BSC) modification P342. Currently, the market trading deadline is at the start of the Settlement Period (SP).</li> <li>• Provide more certainty on the actions required post-Gate Closure, as wholesale market trading and NESO balancing actions are no longer occurring simultaneously.</li> </ul>  |
| <b>Final Physical Notifications (FPN's) to match traded position</b> | <ul style="list-style-type: none"> <li>• Prevent market participants from intentionally taking an imbalanced position at Gate Closure to benefit from exposure to the imbalance price, removing the risk that NESO takes actions based on FPNs that do not reflect the market traded position.</li> <li>• 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.</li> </ul> |
| <b>Unit-level bidding</b>  | <ul style="list-style-type: none"> <li>• Require market participants to provide unit-level bids and offers in the day-ahead and intraday markets, instead of the portfolio-level participation that exists today, associating economic offers in these markets with specific units.</li> <li>• This reform would support requiring FPNs to match traded positions, facilitate scheduling enhancements and increase transparency to better support Ofgem and NESO's investigation of behaviour that exploits inefficiencies in the market.</li> </ul>          |
| <b>Shorter Settlement Period (SP)</b>                                | <ul style="list-style-type: none"> <li>• Reduce the SP length to 5 or 15 minutes, to provide better temporal price signals to market participants to resolve energy imbalances.</li> <li>• Shortening the SP provides a more granular imbalance signal, incentivising more shape in market parties' trading to better match the demand curve and other behaviours, like fast ramping of interconnectors, BESS and demand-side flexibility.</li> </ul>   |

