

Industry Expert Panel 30/06/2026 — Meeting Notes

The session was split into five sections with a short presentation followed by breakout discussions on the proposed Reformed National Pricing Balancing & Settlement policies and market participant behavioural assumptions. This information will be used within the Cost Benefit Analysis.

Lowering the BM Threshold

Summary: Expert Panel feedback focused on concern that costs could exceed the benefit for small assets, driven by operational-metering standards originally built for large power stations, per-Meter Point Administration Number service charges, imbalance exposure and skip rates. Members also queried whether central body data systems were able to scale from receiving information from hundreds of units to thousands of units.

Question	Feedback
Q1 As-is / counterfactual gaps	Validated: Current processes captured correctly, though there are additional barriers to participation which could be highlighted in the AS-IS. Concerns: Registration is currently manual, slow and has no single owner; operational-metering and telemetry standards are costly for small Balancing Mechanism Units; demand-side and interconnector Balancing Mechanism Units should be more visibly represented; switching route-to-market provider can take around a year.
Q2 To-be design areas	Constructive suggestions: a single NESO + Elexon registration process, that removes that assumption that there is one asset per Balancing Mechanism Unit, and changing supplier and demand units up to genuine Balancing Mechanism Units to amplify the benefit. Concerns: Responsibility and cost of metering for sub-10 MW. NESO's capacity to absorb and utilise additional Balancing Mechanism Unit data across scheduling and dispatch matters as much as getting it in.
Q3 Market-participant impacts	Validated: Large portfolios expect little impact, and members confirmed "aggregator" is a spectrum, from full-service to light-touch, that the cost archetypes should reflect. Concerns: For small assets the cost can exceed the benefit; loss of system-helpful Net Imbalance Volume-chasing; exposure to high skip rates with limited

	Capacity Market/Contracts for Difference recovery; large, non-market-savvy consumers are missing from the archetypes.
Q4 Open design questions	Open: Is the aim visibility or mandated participation and control? Can NESO actually use small-asset actions; and could implementation of the reform worsen skip rates? Is 10 MW the right cut-off, or do returns fall away below ~25–30 MW? Should the Cost Benefit Analysis model several thresholds? Is the system work new build or part of the existing balancing programme?

Shorter Settlement Period

Summary: Expert Panel provided qualified support for 15-minute settlement through a phased implementation pathway. Members stated benefits were at risk unless gate closure also moves closer to real time, a coupling the reform pack does not currently reflect.

Question	Feedback
Q1 As-is / counterfactual gaps	Validated: Members suggested additions to the “as-is” diagrams (e.g. Electronic Data Transfer/Electronic Data Link third-party data providers), the Market-wide Half Hourly Settlement staged meter-replacement precedent, and the role of power exchanges and continental alignment. Concerns: Meter recalibration is unusually expensive in GB; Grid Code ramp-rate limits could stop fast assets using shorter periods; queries whether Operating Balancing Platform can absorb up to 2× (or 6× for 5-minute) more data.
Q2 To-be design areas	Suggestions: A phased path was favoured, 15-minute first, wholesale before retail, with granularity differentiated by participant type. Concerns: Gate closure should move closer to real time alongside Shorter Settlement Period or the benefits are at risk.
Q3 Market-participant impacts	Validated: Members helped characterise winners and losers and noted batteries already operate sub-half-hourly today. Concerns: Doubt over any balancing or operability benefit, some see only more efficient wholesale dispatch, or a transfer of value from balancing into wholesale. Intermittent generation face higher imbalance exposure as half-hourly smoothing is removed, and Power Purchase Agreement tolerances may be reopened.

Q4 Open design questions	Open: Is 5-minute worth roughly three times the data and cost of 15-minute? What granularity does NESO actually need, and where (interconnection points only, or full wholesale)? How is algorithmic / Artificial Intelligence trading governed as shorter periods force automation? Alternative: Enforce higher-resolution Final Physical Notifications on Balancing Mechanism Units and test whether better visibility alone captures most of the benefit before rebuilding the settlement stack.
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Final Physical Notifications = Traded Position and Market Trading Deadline = Gate Closure

Summary: Expert Panel provided feedback on these two reforms. Feedback on Final Physical Notifications = Traded Position was largely critical with concern for limitations of the reform and how the to-be would overcome the lack of workable matching mechanism and that forcing notifications to match a commercial position carries a risk of reducing the quality and accuracy of Final Physical Notifications data. On Market Trading Deadline = Gate Closure, the dominant concern was the loss of the post-gate trading hour, with liquidity concerns as a significant amount of trading occurs after gate closure.

Final Physical Notifications = Traded Position

Question	Feedback
Q1/Q2 As-is and design gaps	Concerns: Contracting routes do not map to Final Physical Notifications (financial and Over the Counter trades, reallocations, Power Purchase Agreements); for most small and embedded generators settlement runs through reallocation, so a generator's notification can never be reconciled to its traded position; enforcement and compliance are undefined, with no fining regime for smaller unlicensed stations; supplier and demand-side scope is unresolved.
Q3/Q4 Impacts, alternatives and open questions	Concerns: It would incentivise less accurate, physically undeliverable Final Physical Notifications; over-hedging can be rational (a forward is a financial swap, not a physical forecast); Residual Cashflow Reallocation Cashflow is a redistribution, not a benefit, and treatment is uneven across participant types; most renewables Power Purchase Agreements would need review. Alternatives: Existing Final Physical Notification-accuracy initiatives may already achieve the intent (a first wind trial reportedly cut inaccuracy by more than half); provide traded position as a separate data stream, or use the Information Imbalance Charge set to zero so open positions remain possible at a priced consequence.

Market Trading Deadline = Gate Closure

Question	Feedback
Q1/Q2 As-is and design gaps	Validated: Liquidity concentration could be a benefit if gate closure moved towards real time (the benefit shrinks the further back the deadline sits). Concerns: The premise that NESO “begins balancing at gate closure” was rejected, true balancing happens minutes before real time; non-BM assets remain invisible so the control room acts conservatively
Q3/Q4 Impacts and open questions	Concerns: Loss of the post-gate trading hour is the dominant concern with significant impact to liquidity, widening spreads and raising imbalance and collateral costs; day-ahead behaviour may turn more conservative. Open: If Final Physical Notifications = Traded Position proceeds, is Market Traded Deadline = Gate Closure largely redundant – and vice versa?

Unit Bidding

Summary: Expert Panel provided feedback that Unit Bidding was relatively less defined compared to other reforms. Members could not clearly identify the problem it solved. Feedback was nonetheless constructive on the data required: the physical data largely already exists at BMU level for over half of installed capacity, and the genuine gap is the traded side (ECVNs) that the operator does not currently receive.

Question	Feedback
Q1 As-is / counterfactual gaps	Validated: Physical data is already granular and locationally specific for over half of installed capacity; existing monitoring routes (Transmission Constraint Licence Condition floor, Ofgem powers, a recent letter on algorithms and live constraints) were noted. Concerns: It is the traded side (Energy Contract Volume Notification) that is missing; portfolio players already allocate trades to assets internally but arbitrarily; trade-notification mechanics are clunky and manually matched; Virtual Lead Party and Virtual Trading Party roles are conflated in the slides and need correcting.
Q2 To-be design areas	Feedback: Any “to-be” Target Operating Model should include an intraday view of unit-level changes. Concerns: A mandatory gross-pool option would shift the UK intraday market into a financial market only; the market-monitoring rationale and power-exchange complexity are not well explained.

Q3 Open design questions	Open: What does “unit level” actually mean, and is there a size floor below which it is unworkable? Does it apply to Over the Counter and bilateral trades, and is the requirement a position or a position and price? Under a portfolio-mapping option, is the day-ahead mapping high-value or meaningless? Do pure non-physical traders survive, and where does liquidity come from if every trade is tagged to a unit? Alternatives: Open the Balancing Mechanism earlier, or require more accurate, more granular Final Physical Notifications ahead of time.
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Behavioural assumptions & CBA modelling

Summary: Expert Panel gave detailed feedback on how they and the wider market would respond to different policies and offered evidence and data sources to ground the assumptions. On the modelling, there was clear support for a whole-system Cost Benefit Analysis.

Question	Feedback
Q1 How behaviour will (or will not) change	Validated: Detailed, asset-specific input: batteries and some demand-side response are most likely to change behaviour and gain from finer granularity under Shorter Settlement Period; baseload and nuclear see little change for shorter settlement period. For Lower Mandatory Balancing Mechanism participation threshold, some units (particularly at lower thresholds) will indeed be unable to actively participate in the Balancing Mechanism. Concerns: Forecasting is already optimised, so shorter settlement or other reforms will not sharpen it; many will keep trading in 30-minute blocks (EU 15-minute experience). Supporting data has resolution limits – SCADA (Supervisory Control and Data Acquisition) and some weather models exist at 15-minute but not 5-minute – so the assumption is partly about how far the data can go, not just participant investment in better data. 5-minute needs algorithmic trading and is incompatible with a one-hour gate closure. Lost late-adjustment liquidity is likely to be material and could be priced in earlier as risk premia.
Q2 Data and evidence	Validated: Recommendation to review NESO Transparency Forum wind-forecast data, Distribution Network Operator connection registers, Elexons secondary-Balancing Mechanism Unit composition, P342 and intraday-outage episodes as natural experiments. Concerns: Existing and historical data may be unsuitable for informing assumptions around future behaviour.
Q3 Open questions	Open: Under Shorter Settlement Period, should the Cost Benefit Analysis model be a non-adapting cohort that keeps trading at 30-minute and shrinks over time? And is behaviour change conditional on gate-closure movement? Under

	Lower mandatory Balancing Mechanism participation threshold, what does non-participation look like by asset type in the 10–50 MW band? Demand-side and private networks risk being missed. Across all reform options, how is “useful” versus “cost-inducing”/“counterproductive” Net Imbalance Volume-chasing split and sized, particularly on imbalance?
Implications for the modelling	Validated: Members welcomed that the Cost Benefit Analysis considers impacts across the whole market, not NESO alone. Requests: Run reforms individually (as much as possible) and as packages – against a ‘moving background’ that represents the future state of the world (P462, wider NESO programmes, network build); representing lost liquidity explicitly for Market Trading Deadline = Gate Closure and Final Physical Notification = Traded Position, and potentially Shorter Settlement Period, is key; show second-order / pass-through impacts, including on Contract for Difference payments and future rounds; and conduct a constraint-volume sensitivity.