CONSULTATION RESPONSE

Response to the NESO Balancing, Settlement, and Dispatch Reform

Brussels, 14 April 2026

Key messages

- We support the RNP (Reformed National Pricing) process and remain active in our engagement, as balancing reform is an important component. We continue to generally support a gradual phased approach to implementing impactful reforms.
- As previously supported in our 2024 REMA response, the proposals to lower the threshold for mandatory participation in the balancing mechanism and to shorten the Imbalance Settlement Period to 15 minutes merit further consideration. Any such changes would need to be supported by robust evidence and a clear benefit case demonstrated through a comprehensive cost-benefit analysis.
- We do not support changes like unit-level bidding, aligning gate closure and trading deadline, and matching Final Physical Notifications with traded positions. As observed by market participants, only one of the three options listed could be realised (alignment), the other two indicating a return to a gross pool. These measures also head towards a central dispatch model, whereas we argue for the retention and improvement of the self-dispatch model.
- Considering ongoing negotiations to reintegrate GB markets with EU Internal Energy Market, we strongly recommend keeping alignment on design elements to facilitate technical processes following the political negotiations outcomes.

Detailed comments

Questions on Reform Principles

Q1. Reform principles and inherent trade-offs:

Do the stated balancing and dispatch reform principles 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*.

We agree with the principle to have efficient signals and incentives for market participants in the balancing timeframe for better market functioning, as well as providing more system visibility.

We also agree with the need for transparency and clarity of roles in the balancing mechanism as a principle – making sure there are no additional burdens and barriers.

On the clear handover from market participants to the System Operator, we do not consider this as a key principle. Preserving liquidity and the ability to self-balance close to real time should generally take precedence over imposing rigid handover points. We observe that trading can still occur after the deadline and that by making the clear handover a principle, it would make the change in trading deadline necessary.

Furthermore, efficiency gains from the reforms must be assessed on a whole-system basis (including impact on liquidity and investment), not solely real-time operability.

NESO balancing reform should also prioritise efficient cross-border coordination mechanisms that maximize system flexibility and cost efficiency.

QUANTITATIVE SECTION
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
3

Questions on System Challenges

Q3. System challenges and causal drivers
To what extent do you believe each of the challenges 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.*

NESO is heading in the right direction with consideration of different challenges and interactions with other GB reform initiatives. Having a holistic view is key in addressing interlinked challenges, through intertwined parallel projects like investing in the grid to tackle congested lines, having a robust transparency and monitoring from the regulator, and strategic spatial planning to bring additional signals to market participants. We suggest also looking into impacts to Contract for Differences and the Capacity Market.

We understand the identified challenge of insufficient visibility and access to balancing resources and think that the respective reform proposal on lowering the threshold for mandatory BM participation merits further consideration.

Having more participants in the balancing market will help NESO manage system needs and should be accompanied by sufficient room for self-balancing trades and incentivise market signal responsiveness. These benefits, however, should be compared to the challenges in terms of increased complexity of NESO operations and costs for market participants.

We recognise the concern for strategic positioning that distorts signals and exacerbates system constraints. We also note that while there is evidence to justify some the challenges raised by NESO, we do not see evidence of other challenges actually happening, they are rather eventualities that have not yet materialised. Transmission constraint licensing condition is something that can be used to tackle the identified repetitive bidding of BMUs issue.

The overlap between the wholesale market and balancing, while it would benefit from further clarity, also allows for flexibility in trading that can foster self-balancing opportunities. This is most helpful for intermittent energy sources that would face significant volume swings and require space to rebalance.

One missing challenge is on interconnector redispatch, where one of the drivers of increased redispatch costs is the change in interconnector schedules on the half-hour boundaries. One way to address this issue can be resolved following the outcome of the current UK-EU negotiations, as GB rejoining EU market coupling would be of help.
One structural and physical challenge is the need for network infrastructure built in congested areas. NESO has already identified some projects that, if accelerated and expedited, would lead to significant savings in congestion management and redispatch.

Another area of concern is the fact that NESO's existing optimisation and scheduling capabilities already appear constrained. Persistent issues, such as high skip rates and the limited ability to deploy available flexibility economically, suggest that the primary challenge lies not in the availability of information or asset participation, but in the effectiveness and automation of the optimisation engine itself. Expanding data inputs or decision-making responsibilities before addressing these underlying capability gaps risks increasing complexity without improving system performance.

By contrast, a more reactive operational framework—focused on balancing the current settlement period and dispatching actions economically in real time—can offer a more proportionate and efficient approach in volatile systems. Asset owners are best placed to

manage their own assets, particularly where portfolio-based optimisation allows flexibility to be balanced across regions and technologies. NESO's role should therefore be to establish a framework that incentivises behaviour aligned with system needs, supported by effective monitoring and enforcement, rather than relying on greater central control. Clear price signals and well-designed incentives can address many of the behaviours of concern without introducing unit-level bidding or other reforms that would add complexity without clear benefit.

Alongside improving dispatch performance, there is a clear need to develop further constraint-management and other flexibility markets that are driven by system needs to provide the NESO with scalable, transparent tools to manage congestion and operability challenges. These markets should be technology neutral and designed around clearly defined system requirements, so that the most efficient resources can compete to meet those needs.

Related to the quantitative section, we would like to flag LCP Delta's report on potential savings from constraint costs in evaluating impacts of reform and where change needs to be addressed. Link to be put here: https://insights.lcp.com/rs/032-PAO-331/images/LCP-Delta-Reformed-National-Pricing-Measures-on-GB-Grid-Constraint-Costs-March-2026.pdf

QUANTITATIVE SECTION

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?

3

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?

4

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?

1

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?

2

Questions on the 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 central 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.

We recognise the extensive work done by NESO to be comprehensive in its outline of challenges, interactions between measures and challenges, and interactions with other GB electricity market reform workstreams.

One element to keep in mind in the future of balancing is the outcome of the current EU-UK negotiations on potentially relinking the GB market with the Internal Energy Market on all timeframes, including balancing. A positive outcome would help with cross-border trading and could extend into discussions on cross-border balancing. Closer alignment with balancing changes in Europe would facilitate technical linkage.

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*

No comment.

Q10. Distributional and competitive impacts:
What distributional impacts would you expect across different participant types and technologies as a result of implementing the full balancing reform package 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 enduring for the market operation.*
- *Where targeted transitional measures may be justified, and where they could create longer-term distortions*

No comment.

QUANTITATIVE SECTION
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
1

Questions on Lower Mandatory BM Participation 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.*

We support the direction of the reform to lower the BM participation threshold. In our view, this balancing option merits further consideration. It will increase the visibility of NESO, including storage and battery assets, and better utilise assets for balancing needs.

A robust cost-benefit analysis, however, should also consider the trade-offs. Bringing very large numbers of small units into the BM would expand bid/offer volumes and data flows, placing additional operational strain on NESO at a time when dispatch performance and skip rates are already a concern. For participants, the fixed costs of BM registration, metering/telemetry, control-room capability, credit and code compliance are significant; pushing these obligations onto smaller parties is likely to deter entry, reduce innovation and consolidate activity among incumbents rather than "level the playing field."

Additional elements to consider in the CBA for this option include the examples in European balancing mechanisms. The 1MW participation threshold is becoming more widespread and some exploratory talks are emerging on 0.1MW.
Should the reform be taken forward, a phased approach for implementing may be appropriate. It should allow sufficient lead-time to implement any internal process and adapt systems.

We also observe that to implement this option, it would require legislative changes. Currently in the Grid Code, generator licensing is applied to >50 MW. Should the participation threshold be implemented, there will be a need to adapt license requirements as in practice there is a link to the FPNs submitted.

Q13. Proportionality and implementation:
What barriers or challenges might smaller participants encounter with implementation? 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*

The phased approach is a good starting point. Allowing the participation of aggregators can also help very small market participants that do not have the resources to manage participation in the balancing market.

QUANTITATIVE SECTION
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
4

Questions on 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*

We highlight the negative impact of reducing the trading window by shifting the deadlines, which will impact continuous intraday and more widely intraday market liquidity. We oppose any timing reduction of the trading opportunities for market participants.
We oppose this reform more generally, as its adverse effects have not been fully addressed. It appears to shift and increase risk without clear consumer advantages. Market participants note the following observations below on impacts of this measure.

Aligning the market trading deadline with Gate Closure would put additional forecast and imbalance risk on market participants, while removing their ability to rebalance as forecasts improve. This increased residual imbalance exposure would drive higher risk premia into wholesale products.

This would impact disproportionately weather-dependent generation (wind and solar) and demand, which have higher forecast error at Gate Closure compared to dispatchable plants and storage. That risk would be priced into contracts and managed through more conservative scheduling.

Removing post-Gate Closure trading would weaken intraday liquidity and price discovery and remove participants' ability to self-balance before NESO undertakes balancing action. In practice, this could increase aggregate imbalance at Gate Closure and expand NESO's residual balancing task, even if balancing "responsibility" is nominally clearer. It would also increase reliance on NESO's forecasting tools, rather than benefitting from a variety of such distributed tools, which is the case today.

NESO should consider compatibility with the EU intraday market design in light of the aim to reintegrate GB into the EU energy market. As intraday trading is growing across Europe,

it would be counterproductive to implement a change that constrains intraday trading and diverges from the EU's direction of travel in such a significant way.

This reform would also be particularly damaging in combination with introducing shorter settlement periods, as that would amplify the forecast and imbalance risks discussed above. We oppose a combination of reforms that would exacerbate the identified issues above.

An alternative suggestion, even if it is not studied in the balancing reform package, is moving gate closure closer to real-time.

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.*

We do not agree with this reform option to move the trading deadline with gate closure. Notably, we see the negative that impact reducing the trading window would have on intraday market liquidity.

While this measure would allow NESO more certainty around market positions, it would lead to additional balancing costs and transactions, reduce market liquidity (intraday notably), and disincentivise self-balancing of assets.

Rather than stopping market trades after Gate Closure, we suggest improving forecasting accuracy. One way would be bringing Gate Closure closer to real-time and/or allowing assets to provide updated Final Physical Notifications after Gate Closure. It would reduce the risk of unexpected volume changes.

Another avenue to explore is means to encourage non-BMU assets to improve their forecast, as they hold the most accurate picture of distributed connected assets, building on NESO's Supplier Base BMUs.

QUANTITATIVE SECTION

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

1

Questions on Final 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.*

We do not support this reform option. Firstly, we observe a non-feasibility element as it would require a return to a gross pool. Secondly, we note a conceptual issue, as contracts do not have a physical location for the trade (trade delivered by notification), and FPNs relate to assets with a location.

Market participants raise several observations on the impact of matching Physical Notifications with traded positions.

There would be an impact with Elexon, with an expected increase in the number of accounts to be reported and administered due to a change towards disaggregated reporting of traded positions.

For smaller assets, they would face an increased administrative burden by trading intraday on a BMU basis to ensure a flat position in advance of Gate Closure.

For intermittent generation, they could be exposed to significant volume swings and be unable to self-balance. This would, in turn, increase NESO's balancing actions and costs, signalling more volatile swings in volumes and prices.

Generally, it would have an impact on trading activities, portfolio management (notably with diversified portfolios), and impact market participants' responsiveness to intraday signals, thus impacting market liquidity.

In combination with the alignment of Gate Closure and market trading deadline, these measures will have significant costs for NESO in balancing transactions and costs, lead to reduced market liquidity (intraday identified), and disincentivise assets from self-balancing.

Q19. Risks, tolerance, 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.*

No comment.

QUANTITATIVE SECTION

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

No comment.

Questions on 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 requirements 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 transparency, 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).*

No comment.

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 level granularity should 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.*

We do not support a move to unit-level bidding. Portfolio bidding should be retained.

The opportunity to submit bids/offers on a portfolio basis is a precondition for the development of an efficient energy market where market participants can optimise all their resources via a more flexible bidding strategy at the lowest cost for society.
Portfolio bidding allows electricity sellers to aggregate the electricity produced to properly reflect assets and their combined capabilities within a portfolio of assets (generation, storage) and contracts (including demand).

It also enables electricity producers to use the flexibility of their assets more effectively compared to individual unit bidding, while supporting TSO's tasks of efficient procurement of balancing services and further actions aimed at guaranteeing the security of supply.

This efficient way of managing portfolios is used in most European energy markets, while Spain and Portugal remain the only European countries with mandatory unit bidding in day-ahead and intraday.

QUANTITATIVE SECTION
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?
1

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

1

Question on 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?*

We think that a move to 15-minute Imbalance Settlement Periods merits further consideration. It means better matching of supply and demand, reducing the level and cost of balancing actions needed. The change will help prepare the system to support significant RES deployment with enhanced flexibility signals.

It would also allow the alignment with the European IEM recent switch and help facilitate any further renewable integration. There are lessons to be learned from the European experience for market participants, including some costs.

So, if long delays do not occur and are not exacerbated, a staggered approach could be a solution to implement.

Q26. Cost, deliverability and implementation 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.*

There will be a need for adequate meters that can provide more granular data and signals. This will likely take its own implementation time. There are lessons to be learned from the European experience.

A robust cost-benefit analysis, however, should also consider that while moving from 30-minute to 15-minute settlement periods could sharpen temporal signals and better reward fast flexibility, this also increases the number of settlement exposures, nominations, and reconciliations, raising operational complexity and error risk for trading and back-office functions. The retail sector would also be disproportionately affected, as the change would either reduce the history of meter reads stored on the meter or require costly smart meter upgrades to accommodate the necessary increase in stored data volume. Such analysis should also consider the proposal in relation to other potential reforms, particularly those concerning Gate Closure timings. For instance, a move to 15-minute settlement would merit further consideration if combined with moving Gate Closure closer to delivery (e.g., 30 min before real time).

This would strengthen the benefits of moving to 15-minute settlement and ensure alignment with Continental Europe, while helping to address some of the negative operational impacts. At the same time, combining a move to shorter settlement periods with aligning the trading deadline with Gate Closure at one hour before delivery would amplify negative effects, including greater operational complexity and increased imbalance risk.

QUANTITATIVE SECTION

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

4

Questions on 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.*

Overall, we agree with the Cost Benefit Analysis, which would include both a qualitative and quantitative assessment over a long-time horizon. A holistic view and assessment of interactions within the GB market, but also with the EU, is crucial. Key factors are market liquidity impacts, market functioning and efficiency, transparency, reporting burden, and competitiveness (level-playing field).

As an association, we cannot provide information on estimated implementation costs and specific market behaviour. On the other hand, we can contribute to aggregated views of impacts and types of costs identified.

It is also essential that the process is transparent and based on continuous engagement with the industry. This engagement should be open to all market participants and other stakeholders on an equal basis.

Questions on Implementation Roadmap and Assessment

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.*

We agree with the overall step-by-step implementation approach. It is important to keep a holistic view, following the conclusions of the CBA on the different impacts and interactions of the balancing measures, and with the wider GB electricity market reform. The implementation roadmap should reflect the interconnectedness and the sequence of steps between workstreams.

Some of the considered measures are expected to take time, with the need for transitions and sufficient lead times for operational readiness.

Both having a roadmap and an assessment will help provide a comprehensive understanding of the GB reforms. We would also raise attention to considering potential enforcement measures, if there are any delays in implementation.

Overall, we welcome as much transparency as possible on the process and regular, open and transparent engagement with market participants.

QUESTIONS ON DISPATCH REFORM

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.*

We urge NESO to recognise the importance of price signals which reflect underlying economic conditions in allowing efficient decisions, including in the context of greater sector coupling, and to remove artificial barriers which limit prices.

We also urge NESO to be as transparent as possible about the methods used to calculate, and to maximise, cross border capacity. Also, improved interconnector redispatch could reduce constraint costs even further.

To the extent it is able, NESO needs to work to ensure that all technologies face the same set of appropriate and non-discriminatory market rules. These rules should ensure that all producers and consumers face incentives to respond to the price signals sent by the market.

We support the Government's REMA minded-to position to retain self-dispatch. The Government concluded that a move to centralised dispatch was not appropriate on deliverability, investor confidence, and value-for-money grounds, and would materially complicate cross-border trading—an especially relevant consideration given prospective UK–EU market reintegration. Reopening the question risks weakening regulatory certainty at a time when mobilising capital is critical to delivering Clean Power 2030 at least cost.

We strongly support self-dispatch, as the market can resolve imbalances by itself, which can be further incentivised via a shorter gate closure time. Self-dispatch offers better trading opportunities and allows adjustments under competitive pressure much closer to real-time, which is necessary for an energy system with a higher volume of renewables. In contrast, central dispatch significantly impacts investors' ability to model potential returns from assets, which would severely undermine investor confidence.

Improvements could be achieved through better utilisation of batteries in dispatch, defining products needed for system operation to be delivered by the market, improving ESO-DSO cooperation and transparency, improving weather and system status forecast, and coupling with the EU.

Central or hybrid dispatch would introduce structural weaknesses by concentrating forecasting, scheduling, and optimisation in a single process. In a decentralised, weather-driven system, this increases dependence on one set of assumptions and algorithms, creates new single points of failure and governance/resilience risks, and shifts

optimisation risk away from those best placed to manage it (asset owners and portfolio traders) toward NESO. It would weaken distributed self-balancing and intraday portfolio optimisation, reducing liquidity and hedging efficiency and increasing risk premia, the cost of capital, and ultimately consumer costs—while still requiring material improvements in NESO's operational capability to deliver efficient real-time dispatch.

Consistent with REMA (now RNP), effort should be directed to improving outcomes within the existing framework: reducing skip rates, improving data quality and automation, and strengthening monitoring and enforcement. Where NESO identifies specific behaviours of concern, targeted remedies (rule changes, incentive adjustments and enforcement) should be tested before considering any structural redesign of dispatch arrangements.

NESO should also set out clearly why existing mechanisms are insufficient—particularly its ability to pre-contract ahead of Gate Closure and the constraint management markets being developed through the Constraints Collaboration Programme—and why these tools cannot be used more effectively or scaled. System-wide structural changes should be a last resort, not a starting point.

Any assessment should explicitly protect NESO's role as residual balancer by preserving (and ideally strengthening) intraday market ability to absorb forecast updates and self-balance before system actions. More generally, there is a clear trade-off between fundamental redesign of dispatch arrangements and maintaining the stable, investable framework needed to decarbonise at the lowest cost; that trade-off must be addressed explicitly in any future work.

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.*

A shift toward central or hybrid dispatch would, in our view, impose significant downsides on market participants while offering uncertain operational benefits. More centralised scheduling would constrain the market's ability to optimise and self-balance and would transfer greater volume and optimisation risk to NESO's scheduling and dispatch systems.

An effective central dispatch model depends on the quality and timeliness of inputs and the performance of a single optimisation approach in a fast-changing, decentralised and increasingly weather-driven system—creating new single points of failure and governance/resilience risks. The most material market impacts would be weaker intraday liquidity and reduced self-balancing, higher imbalance exposure (and therefore higher collateral needs), and poorer investable signals.

These effects would also limit efficient operation of storage and demand-side response, which rely on rapid, portfolio-based adjustment close to real time, and would likely increase the cost of capital as investors price greater uncertainty and potential inefficiency. Any coordination gains in specific constraint situations are more likely to be achieved through targeted upgrades to NESO tools, automation and enforcement rather than wholesale redesign.

Finally, interactions with other reforms are critical: unit-level bidding and very short settlement (e.g., 5-minute) would further increase granularity and process burden, compounding operational risk and potentially pushing more residual balancing into the Balancing Market.

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 minimise disruption and ensure proportionality*
- *Potential implementation timelines and associated costs, including required system changes and operational readiness.*

It would be good to consider possible alignment opportunities with Europe in preparation for negotiation outcomes. While there are different dispatch models in Europe, as identified by NESO, the majority tend to be self-dispatch. Changing the system will likely have significant transitional costs.

It would be good to explore market-based and/or market-neutral dispatch and redispatch measures that would help the system operator with the network.

QUANTITATIVE SECTION

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

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Contact

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