

Call for input response

# RNP Balancing, Settlement and Dispatch

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## Electricity Storage Network

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The **Electricity Storage Network (ESN)** is the industry group and voice for grid-scale electricity storage in GB. The ESN has 100 members who have a mission to promote the use of energy storage and flexibility to support the net-zero transition. The ESN membership includes clean energy developers, owners, investors, optimisers, and academic institutions. This includes representation from publicly listed specialist funds focusing on storage and independent developers that have raised several billion pounds to invest in this new technology.

This response is based on input from ESN members involved in developing grid-scale electricity storage projects in GB, as well as feedback received via our Markets and Revenues working group.

## About Regen

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Regen manages the ESN. Regen provides independent, evidence-led insight and advice supporting our mission to transform the UK's energy system for a net zero future. We focus on analysing the systemic challenges of decarbonising power, heat and transport. We know that a transformation of this scale will require engaging the whole of society in a just transition.

Regen is also a membership organisation, managing the Regen members' network and the Electricity Storage Network (ESN). We have over 200 members who share our mission, including clean energy developers, businesses, local authorities, community energy groups, academic institutions, and research organisations.

## Continuing engagement

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Electricity Storage Network Lead – Olly Frankland

## Summary

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ESN welcomes the opportunity to respond to NESO's call for input on balancing, settlement and dispatch reform. While we broadly support the reform principles as a framework, we caution that trade-offs exist. Throughout our response, we emphasise the need for robust, and ideally, technology-specific cost-benefit analyses before reforms are progressed. We would also prefer that each measure be assessed on its own merits rather than treating the available options as a package.

We also wish to highlight concerns about the coherence of the broader reform process. NESO's call for input and Ofgem's consultation on locational levers have been issued ahead of the government setting out its Reformed National Pricing plan – the market design strategy within which these reforms are intended to sit. This creates a risk of a disjointed and potentially contradictory reforms, with detailed operational and market design decisions being taken before the overarching framework has been established.

On the proposed reforms, ESN engaged its members through a survey, bilateral discussions and our Markets and Revenues working group. Views across the sector were mixed, reflecting our diverse membership of developers, owners, investors and optimisers – and their respective business models – which we have sought to reflect in our response. ESN's positions range from cautious support – such as for shorter settlement periods – to firm opposition, including on aligning the market trading deadline with gate closure and any drift towards centralised dispatch. Where concerns are identified, they are grounded in the potential impact on market liquidity, project investability, and the ability of flexible assets to operate efficiently and deliver value for consumers.

## Responses to questions

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### **Reform Principles**

#### **Q1. Reform principles and inherent trade-offs**

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

The stated principles provide a broadly coherent framework within a national pricing, self-dispatch design. They reflect the key challenges of a more renewables-led system, particularly

the need for stronger operational signals, improved asset visibility for the system operator, better alignment across timeframes, and more efficient use of flexibility.

However, there are important trade-offs between the principles. The most significant is between “clear handover” of balancing responsibility and maintaining efficient market signals and liquidity. Taken too rigidly, handover risks implying a separation between market activity and system operation that does not reflect how an efficient self-dispatch system functions. The ability for participants to continue adjusting positions close to real time is a key source of efficiency in a system with high volumes of variable generation, and should be preserved.

Reforms that prioritise operational clarity over market responsiveness (for example, by constraining trading too early or tightly linking submitted positions to dispatch) would risk reducing liquidity, increasing balancing risk, and pushing the system towards more centralised dispatch by default. This could also increase risk premia on new projects, ultimately passing through as higher costs to consumers.

We recommend that an additional principle (or principles) be included around consumer value and project investability. Reforms should be judged not only on operational efficiency in the short term, but on whether they support a credible investment environment for the flexible and low-carbon resources the future system will rely on. A theoretically efficient reform that materially increases risk, complexity or financing costs could be counterproductive in practice.

Our members expressed a preference to retain the strengths of market-led dispatch and flexibility, expressing concerns about moving away from self-dispatch, while emphasising the need for robust cost-benefit analyses (CBA), prioritisation and focusing on reforms that deliver clear system value.

**Recommendation:** Reforms should preserve the efficiencies of market-led self-dispatch and near-real-time trading while being assessed through robust cost-benefit analysis against their impact on consumer value, market liquidity, and the investability of flexible and low-carbon assets.

## Q2.

On a scale of 1–5, how confident are you that the balancing and dispatch reform principles set out in S 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)*

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## Challenges to address

### **Q3. System challenges and causal drivers**

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

NESO is dealing with far higher levels of redispatch than in the past, which is putting further pressure on NESO's processes, systems and people. Today, the dominant structural driver of redispatch volumes and costs is constraints, arising from a complex interaction of factors including the misalignment between generation build-out and network capacity (as set out in Regen's recent paper "[Turn Down for What?](#)").<sup>1</sup> This aligns with NESO's framing that rising redispatch is primarily driven by physical constraints on the system, rather than market behaviour.

However, the use of high-end modelled constraint costs, which rely on highly speculative assumptions, could pose a political risk to the industry's wider efforts to achieve a clean power system. Actual constraint cost outturn in 2025 was approximately £2bn, less than 50% of the projected values published in NESO's 2025 annual balancing report under the Holistic Transition and Electric Engagement scenarios. LCP Delta's recent report provides a valuable comparison, providing detailed cost projections under various scenarios.<sup>2</sup> While some balancing mechanism (BM) reforms are beneficial for reducing constraints, specific constraints management measures will also be needed and may have less impact on project investability and delivery. For example, battery storage projects, alongside other storage technologies such as pumped hydro, are often built behind constraints precisely to support system needs. There is a risk that reform proposals could undermine investment signals in these areas that are critical for the clean power transition and reducing constraint costs.

The issue of misaligned incentives that exacerbate constraints, such as repetitive re-trading, is highlighted in the Call for Input (Cfi). NESO and the electricity storage industry are already working collaboratively on a set of solutions via an operational review, and this joint work should continue through to implementation as soon as practically possible. We very much welcome the resource dedicated to and approach from NESO to this work with industry. However, greater transparency is needed around NESO's methodology for calculating repetitive re-trading costs, particularly as the £136m figure referenced in the Cfi is disputed. When

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<sup>1</sup> [Turn Down For What? Demystifying Transmission Constraints](#), Regen, 2026

<sup>2</sup> [From bottlenecks to balance: How to reduce GB grid constraint costs](#), LCP Delta, 2026

assessing these costs, NESO should provide a clearer and more accurate picture. This includes disaggregating costs by technology type, in particular battery energy storage systems and pumped hydro storage, and excluding wholesale market components. ESN alongside our members is already engaging positively with NESO to identify possible solutions to repetitive re-trading. We believe workable solutions can be found and are keen to continue working with NESO in the coming weeks and months to develop them further.

There is also a broader issue around data availability: the industry currently has limited visibility on when constraints are likely to end, making it difficult to align operational behaviour with system needs. Improving the quality and timeliness of NESO data on constraints would help address this and support more efficient outcomes.

**Recommendation:** NESO should revise its methodology for assessing repetitive re-trading costs, disaggregating impacts by technology and excluding wholesale market costs.

**Recommendation:** NESO should provide better visibility of network constraints to support more efficient market responses.

**Recommendation:** NESO should continue to work with the industry and Ofgem to develop solutions to repetitive re-trading based on industry engagement and feedback.

In parallel, in-train reforms, such as [Grid Code 0166](#) (improving visibility of state of charge for limited-duration assets), should materially reduce some of the inefficiencies highlighted, particularly around intertemporal optimisation.

Other issues described under wholesale–balancing overlap (e.g. NIV chasing) are better understood as secondary symptoms. These behaviours can increase costs, but are often rational responses to prevailing signals, especially in a system already characterised by congestion and limited visibility. Their impact is therefore conditional, not a primary driver of redispatch growth. Again, ESN alongside the industry is already actively working on solutions with NESO, such as looking at options for providing data voluntarily for non-BMU storage projects. There is also a trend towards battery storage sites registering as BMUs and a shift away from the non-BMU approach. This trend is likely to continue and will help reduce some of the concerns highlighted by NESO.

#### **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?**

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### **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?

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### **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?

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### **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?

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The issue of misaligned incentives that exacerbate constraints, such as repetitive trading, is highlighted in the Cfl. Alongside ESN and our members, NESO is working on a set of solutions that could be implemented quickly, and it should continue working with Ofgem and the industry to develop these. As highlighted in previous answers, NESO should also publish more data to better align the industry with system needs, as the industry generally does not know when a constraint is expected to end by the control room. When assessing the costs associated with trading activity behind constraints, NESO should disaggregate the cost impact data by technology type (specifically, battery storage and pumped hydro storage) and exclude wholesale market cost components to provide a clearer representation of true system costs. There is a fundamental disagreement with FTI Consulting's approach to estimating the impact of storage behind constraints. Greater transparency is therefore required around NESO's cost methodology, and the £136 million figure referenced in the Cfl.

Batteries are often built behind constraints precisely to support system needs. There is a risk that reform could undermine investment signals in these areas.

## **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?

NESO is right to identify important interactions and dependencies across the package, but the assessment in Figure 27 is difficult to evaluate because the rationale for the scoring is not clearly set out. The criteria for “significant”, “moderate”, “limited” and “no impact” are not defined, the relative weighting of different benefits is unclear, and NESO’s views on the materiality of each of the reform measures and challenges are not shown. As presented, this makes it hard to judge whether the package has been assessed consistently, or whether the matrix reflects a view about technical impact, cost impact, operability impact, etc. Figure 27 is nonetheless useful for considering, in broad terms, the impacts of different approaches, but is not sufficient for policy setting. Our members emphasise the need for robust CBA, prioritisation and focusing on reforms that deliver clear system value, enable the clean power transition, and reduce consumer bills.

### **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?

It is difficult to judge the likely market reaction to the full set of reforms. It is not clear whether the proposed reforms form a package or a set of individual reforms that can be implemented together or separately. Some of the reforms appear to overlap with each other and with other reforms that are already in progress.

Our members expressed mixed views, and in some cases opposed, elements of the reform package. For example, aligning the market trading deadline with gate closure raised significant concerns. Members also highlighted that other proposed changes could have adverse impacts on market performance. Potential risks to liquidity, flexibility and efficient price formation are set out in more detail in our responses to the subsequent questions.

**Recommendation:** The proposed balancing reforms should not be treated or implemented as a single package. Each reform should be assessed on its own merits, supported by clear and robust cost-benefit analysis.

## **Q10. Distributional and competitive impacts**

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

Our members expressed concern that the proposed reforms risk having a disproportionate impact on battery storage and other flexible assets, given their reliance on intraday and near-real-time trading and the ability to stack revenues across markets. Certain reforms in the package risk raising financing costs, potentially slowing deployment when substantial capacity is needed to accelerate the clean power transition. Similar risks apply to demand-side response.

## **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?

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## **Reform 1: Lower Mandatory Balancing Mechanism Threshold**

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### **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?

ESN members shared mixed views on the proposal to lower the mandatory BM threshold, highlighting the cost for smaller assets and concerns around a phased approach.

System-level benefits must be weighed against the implementation and operational costs imposed on market participants. There is also a general trend towards battery storage assets

registering as balancing mechanism units (BMUs), as incremental improvements are made to BM dispatch. This trend is capturing more and more assets, reducing the need for mandatory thresholds for this asset class.

For smaller assets in particular, the requirements associated with BM participation (registration, telemetry, compliance processes, and operational readiness) may be disproportionate to potential revenues. There is a risk that, without careful design, this reform could damage business cases for smaller generators while concentrating activity within larger portfolios and aggregators. The cost of BM participation is already onerous for smaller assets, and there may be diminishing value from reducing the threshold too far.

If implemented, mandatory participation down to 10MW is more proportionate than lowering the threshold any further. Care must also be taken to ensure a smooth and manageable implementation and to minimise the costs and negative impact on market participants, particularly smaller scale assets.

If the participation threshold is lowered, NESO must ensure these assets are utilised effectively and deliver value for money. High skip rates remain a major concern for the electricity storage sector with some progress made in terms of transparency and energy actions in the BM. Improvements need to be maintained, otherwise increased asset visibility and control will not translate into consumer benefit.

### **Q13. Proportionality and implementation**

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

For smaller participants, the primary challenge is the fixed cost and complexity of participation. Requirements around metering, communications, compliance, and operational processes are largely designed around larger assets and may not scale efficiently. Without adjustment to administrative barriers to BM registration, this risks excluding precisely the assets the reform is intended to bring into the market.

There is therefore a strong case for introducing proportionality into participation requirements. This could include simplified compliance regimes, thresholds below which participation is optional rather than mandatory, and a greater reliance on aggregators as the primary route to market. Aggregation is likely to play a central role in enabling smaller assets to participate efficiently, but care is needed to ensure this does not lead to excessive concentration or reduced competition. Transitional arrangements will also be important.

If these issues are not addressed, there is a risk that the reform improves visibility in theory but delivers more limited benefits in practice.

#### **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?

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### **Reform 2: Aligning Market Trading Deadline with Gate Closure**

#### **Q15. Risk allocation and market functioning**

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

A majority of ESN members opposed this reform.

Aligning the market trading deadline with gate closure is not a progressive reform and seems to be a step backwards in terms of enabling a more dynamic, responsive and flexible market. It is an example of trying to restrict market behaviour because of operational issues that stem from NESO system, data and process limitations. The ability of generators, off-takers and flexibility providers to trade right up to the delivery period has allowed better balancing, more efficient use of variable generation. Aligning the market trading deadline with gate closure represents a significant shift in how risk is allocated between market participants and the system operator, with forecast error and imbalance risks now resting squarely with market participants. Near term market liquidity would be reduced in the final hour ahead of real-time, and for many storage assets, the period after gate closure is often the busiest: removal of this behaviour would be detrimental to storage assets and impede system flexibility. Moving the trading deadline earlier risks dampening beneficial market behaviour and increasing costs associated with forecast uncertainty, and is likely to lead to higher risk premia being priced into the market.

Our members also flagged the lack of a robust CBA for this reform, and the lack of clarity about what it delivers, citing a higher imbalance risk as the reform could amplify inefficiencies by

requiring participants to commit to positions based on imperfect system information. Most favour retaining the current approach.

## **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?

As discussed in our response to Q15, ESN is not in favour of implementing this reform on the grounds that it represents a retrograde step with multiple risks and limitations that move market arrangements further from being fit for the operation of a high renewables, high flexibility energy system.

## **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?

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## **Reform 3: Physical Notifications Matching Traded Positions**

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

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

ESN members shared mixed views on the proposal for Final Physical Notifications to match traded positions, highlighting that it introduces additional costs and delivery challenges, distorts trading strategies and has unclear benefits.

Our members do not support the direct implementation of a mandated match between a market participant's traded position and their Final Physical Notification (FPN). While we recognise that this reform is intended to mitigate "strategic imbalance positioning" and provide

NESO with greater operational visibility for efficient redispatch, we believe the proposed approach is disproportionate and risks undermining some of the core strengths of the existing GB market. Moreover, NESO already has measures at its disposal to incentivise market participants to minimise the variations between FPNs and traded positions without resorting to restrictive mandates.

The primary concern with a mandated match is that it significantly reduces the ability of market participants to respond in real time to changing system conditions. Such a mandate would effectively inhibit trading after Gate Closure, which currently provides essential flexibility for managing a high-renewables grid with variable loads. As the system moves towards more advanced, automated operation software, we expect to see FPNs being updated much closer to delivery time than is currently the case. Banning certain trading behaviours simply for NESO's operational ease fails to maximise the value of a smart, interconnected, and flexible energy system.

As noted in the Cfl, a full assessment of the costs and benefits would be required prior to implementation. We note, however, that NESO's preference is to implement this reform in full alongside unit-level bidding, which raises other concerns as highlighted in our response to Question 21 on unit-level bidding.

## **Q19. Risks, tolerances and exemptions**

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

As this reform could distort market trading strategies, we encourage NESO to engage with optimisers and other route to market providers to get a better view of the commercial reality of this change. We would be happy to organise a workshop with our members to enable this and we have already been in discussion with the NESO RNP team regarding this.

## **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?

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## **Reform 4: Unit Level Bidding**

### **Q21. Value of unit-level granularity**

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

While ESN members shared mixed views on the proposal for Unit-level bidding, a majority oppose the reform, citing impacts on market functioning, business cases, toll markets and DSR for questionable benefits.

Significantly more clarity is required regarding the exact design, benefits and operational implications of Unit Level Bidding proposals. NESO has proposed that Unit Level Bidding is necessary to improve the operation of the BM and prevent gaming behaviour by market participants behind constraints. It would be helpful if NESO could clarify what this gaming behaviour looks like and quantify the scale of the problems being addressed. It should also be made clear that these issues cannot be addressed through other mechanisms, such as the operation of TCLC or improved data monitoring, if that is the case.

It is not easy for industry stakeholders to understand the exact nature of the proposed reform. Our discussions with members and other industry bodies suggest differences in interpretation of NESO's terminology, particularly regarding the definition of Unit Bidding. This lack of clarity needs to be addressed.

The reform description and the options being presented seem to imply a radical market redesign and, in the case of Option 2, something that looks like a return to a central pool and central dispatch, while losing the significant benefits of physical forward trading. The industry is firmly opposed to a return to central dispatch, and we believe it was already ruled out during the REMA process. Option 1 seems closer to an implementable market reform, but would need to be justified in terms of its implementation costs and benefits.

Any implementation must be contingent on a robust, transparent CBA that demonstrates both the materiality of the issue and the suitability of the proposal. Through our engagement with market participants, several significant concerns have already been identified:

- **Data and Administrative Burden:** Generators would face extremely high additional data requirements to disaggregate portfolios into unit-specific streams.
- **Liquidity Fragmentation:** By splitting traded volumes across substantially more positions, this approach risks damaging market liquidity, making it harder for participants to manage risk in the intraday window.
- **Co-located Assets:** Unit-level bidding would have an outsized negative impact on sites with co-located storage. In these scenarios, the ability to trade the aggregated position of a site is a clear physical and commercial advantage that should be preserved.
- **Impact on toll market:** The reform could impact the ability of trading companies to manage their risk at a portfolio level, with a knock-on to asset owners through lower floor/tolls, potentially reducing project investment and delivery.

Part of the benefit case should be to conduct a review as to whether the existing regulatory and market frameworks, including the BM arrangements and powers under the TCLC and REMIT, should already be sufficient to identify and penalise instances of gaming. Addressing the conduct of specific market participants could be a more proportionate response than imposing a disruptive unit-level bidding mandate on the entire market.

This administrative and risk-based burden would be most keenly felt by small-scale generators, a critical consideration if this reform is implemented alongside Balancing Reform 1 (lowering BM participation threshold).

## **Q22. Cost, proportionate granularity and implementation timelines**

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

Additional detail is needed on the precise definition of unit level bidding under NESO's proposals. A robust CBA is needed to demonstrate that this level of market change is necessary and beneficial, given the increased complexity and cost for market participants.

## **Q23.**

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

**Q24.**

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

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**Reform 5: Shorter Settlement Period****Q25. Temporal efficiency and system outcomes**

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

While a majority of ESN members support shorter settlement periods (SP), views were mixed on shortening to 5 minutes.

ESN believes shorter settlement periods (SP) could support the behaviour of fast-acting flexible technologies and variable renewables, and the role of the market in delivering a balanced system. Broadly, we agree that under shorter settlement periods, the market would be better suited to representing current and future system behaviour and would provide more efficient pricing signals. However, members highlighted the cost of implementation and again flagged the need for a Cost-Benefit Analysis. Others noted that this reform has worked well in Australia, though the right governance model is critical to effective implementation.

Overall, we believe a move to a 15-minute SP would be a more proportionate first step. We would expect to see a further reduction (e.g. to 5 minutes) in the future.

**Q26. Cost, deliverability and implementation timelines for shorter SPs**

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

As described in the Cfl, detailed cost benefit analyses will be essential.

### **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?

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## **Reform Package Cost–Benefit Analysis and Evaluation Framework**

### **Q28.**

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

Members flagged the need for a technology-specific assessment, noting that different asset classes operate in fundamentally different ways and will respond differently to the proposed reforms. This is particularly relevant for battery storage, pumped hydro, and other flexible assets.

## **Reform Package Implementation Roadmap**

### **Q29.**

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

The roadmap will only succeed if changes are timed to match how systems and operations work in practice and do not overwhelm participants with too many changes at once. Engaging storage owners, optimisers and other flexibility service providers early will be crucial. Recent experience with programmes such as GC0166 and delays to the Open Balancing Platform

shows the importance of setting realistic timelines, involving industry early and throughout, and allowing enough time for proper testing before changes go live.

## **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?

ESN members expressed significant concern about hybrid or central dispatch.

Self-dispatch and decentralised markets deliver more efficient outcomes by enabling assets to continuously optimise in response to real-time signals. This approach has strong industry support, as highlighted under the previous REMA consultations, and has driven innovation in trading and optimisation, particularly for flexible assets such as batteries. The UK has a mature ecosystem of optimisers and traders, and well-designed markets with strong financial incentives have proven effective at encouraging assets to trade closer to real time. Compared with central dispatch, decentralised markets better manage dispatch risk, require less detailed information to be submitted to the NESO, and support liquid intraday trading.

By increasing central control, hybrid dispatch risks undermining these benefits, weakening market signals and creating uncertainty for investors. This could constrain flexibility, reduce liquidity in wholesale and intraday markets, and disrupt established battery financing structures that depend on market access and operational freedom.

There are also significant design and operational risks, including failing to value demand-side solutions to constraints. Rather than moving toward hybrid or central dispatch, reforms should strengthen market-led constraint management, improve visibility of system constraints, and enhance price signals, allowing flexible assets to respond efficiently.

The issue of repetitive trading has been a topic of discussion between NESO, Ofgem and the industry for some time. NESO is right to highlight this as an example of misaligned market signals that need to be addressed. There is a strong consensus across the industry that this can and should be addressed. ESN is already engaging with NESO to identify possible solutions to repetitive re-trading. We believe workable solutions can be found and are keen to continue working with NESO to develop them.

On the evidence presented to the Cfl, we note, as others in the industry have highlighted, that the cost analysis of repetitive re-trading may be overstated, as it appears to double-count both the wholesale costs of constraints and the cost of turning up alternative generation to replace constrained energy.

It would also improve transparency and understanding to disaggregate the estimate of repetitive trading between different asset classes, including battery storage, pumped hydro and other forms of generation.

### **Q31. Market and Operational Impacts**

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

As discussed frequently throughout the REMA consultations, the great majority of market participants are firmly against any return to centralised dispatch. For storage technologies and other flexible assets that rely on continuous optimisation, these changes would reduce operational flexibility, weaken intraday trading and increase uncertainty. In response, participants are likely to adopt more conservative strategies – shifting trading earlier, relying less on intraday optimisation and pricing in higher risk premia – reducing overall market efficiency and system value.

Any move to hybrid or central dispatch creates risks to competition, liquidity and investment by constraining trading, potentially undermining financing structures such as tolling and floor agreements, raising the cost of capital and discouraging deployment in constrained areas. Batteries would be particularly affected, as they are largely unsubsidised and rely on stacking revenues across wholesale, balancing and ancillary services.

### **Q32. Implementation Pathways and Risks**

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

NESO has not presented a proposal or a case for change for dispatch reform. There is just a discussion in the Cfl of various dispatch genres.

We note that the work done by Afry for NESO in 2024, looking at the [Dispatch Case for Change](#), did not conclude that there was a strong case to change to a form of centralised dispatch, and that central dispatch was likewise not supported by the REMA consultation response.

A technology-neutral approach is essential to ensure future dispatch arrangements drive efficient system behaviour and do not unintentionally undermine storage and flexibility.

Other implementation risks highlighted include the complexity of grandfathering.

**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?

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