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REFORMED NATIONAL PRICING: WHERE NEXT FOR THE GB ELECTRICITY MARKET?

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Morag Watson

Director of Onshore

Scottish Renewables

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A future market for a future system: the vision for Reformed National Pricing

Chaired by Morag Watson, Director of Onshore,
Scottish Renewables

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To plan or not to plan? Shaping our future energy system

Chaired by Andrew MacNish Porter, Head of Economics and Markets, Scottish Renewables

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Dr Simon Gill

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The Energy Landscape

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Strategic planning and reformed national pricing

To plan or not to plan? Shaping our future energy system

29th October 2025
Scottish Renewables, Glasgow

Dr Simon Gill

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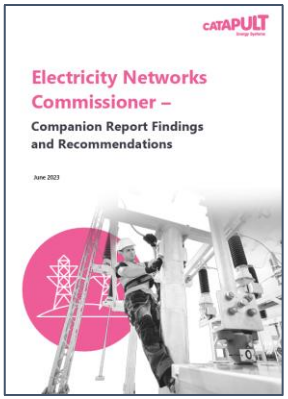
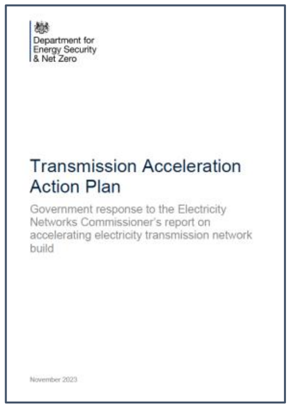
The move to spatial planning



June 2023

Winser Review published

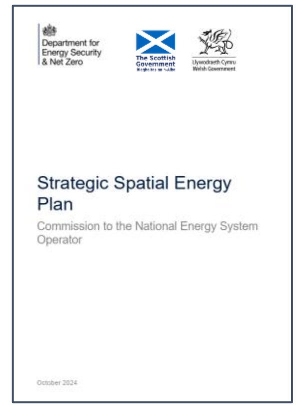


November 2023

Government response

October 2024

NESO launches

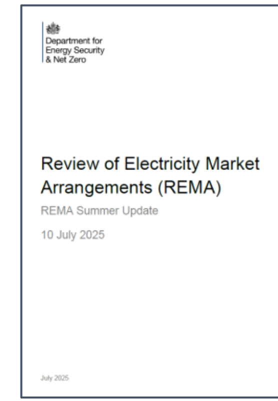


October 2024

SSEP commissioned

May 2025

SSEP methodology published



July 2025

UKG confirm reformed national pricing with focus on strategic planning

the energy landscape

Developing the system

Total Investment – how much capacity do we need in the country?

Spatial Investment – where in the country will it go?

Operation – which assets run at what times, how is the system balanced?

Network – how do we connect it up?

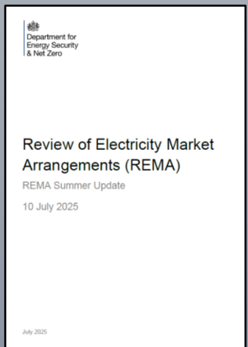
The market

Strategic planning

Historically the market has decided the location of generation and flexibility and the network has followed. GB has decided that approach will not deliver an effective transition. Instead, we have decided to use **strategic spatial planning** as part of our approach to the development of the country's electricity infrastructure, and its link to wider energy infrastructure.

the energy landscape

Where we are with strategic planning


Department for Energy Security & Net Zero

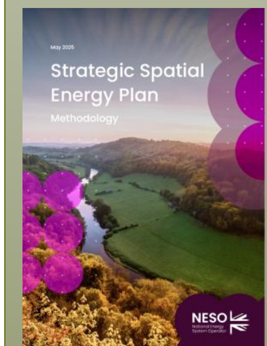
Review of Electricity Market Arrangements (REMA)

REMA Summer Update

10 July 2025

July 2025

- Retain a single national, GB-wide, wholesale electricity market. The government therefore does not intend to introduce zonal pricing.
- Implement an ambitious approach to reformed national pricing, a cohesive package of reforms to improve the effectiveness of our national pricing model.
- In one form or another the state holds all the key relevant levers to solve our siting problem
- The SSEP is the centrepiece of reformed national pricing. We anticipate the SSEP will be driven and implemented through important associated levers.



- To provide a pathway for electricity and hydrogen generation and storage types, locations, capacities, and timings.
- To provide the UK, Scottish and Welsh governments, and the Office of Gas and Electricity Markets (Ofgem), with a plan they can endorse.
- To firmly set the context for the nation's energy requirements.

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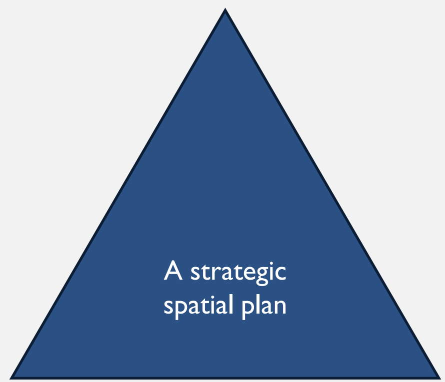
What does a strategic spatial planning approach need?

Levers:
actions to delivery the
pathway



Outcome:
a pathway to deliver

Adapting to change:
dealing with an unknown
future

Outcome: The SSEP pathway

- The SSEP will **produce a single pathway by the end of 2026.** That pathway will be created through detailed technical modelling and optimisation, considering stakeholder input, environmental, technical and social factors
- The pathway will include an **indication of capacity by technology and zone** and how this develops over time
- This year NESO will produce several pathways for the **UK Government Secretary of State to review**
- The Secretary of State will choose one pathway which will then be **consulted on next summer**
- Once agreed and published, the **SSEP pathway will form an input to the CSNP** which will plan specific transmission upgrades

Outputs will include:

- Maps of a spatial energy pathway
- Projected optimal locations for future electricity generation and storage
- Projected optimal locations for future hydrogen production and storage
- Key narratives on the factors driving the results

https://www.neso.energy/document/359096/download

- Is the process to develop the SSEP pathway appropriate? Is it delivering on the methodology laid out in May?
- How will the SSEP pathway be used within the wider strategic planning approach?

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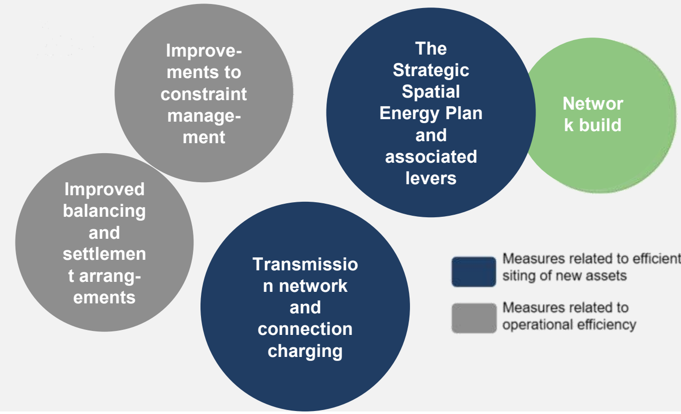
Levers: reformed national market (and more?)

REMA Summer Update (July 2025)

"The reformed national pricing package is designed to ensure effective siting of new assets through a combination of the Strategic Spatial Energy Plan and its associated levers … as well as reforms to Transmission Network Use of System (TNUoS) charges … and connection charges"

➢ We expect a Reformed National Pricing Delivery Plan later this year



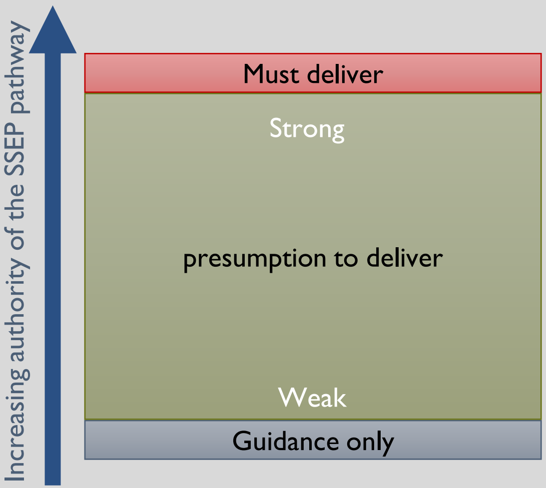
Some of the levers available to us to influence delivery of spatial plan

~~Energy market~~	Ancillary services markets and mechanisms	TNUoS and Connection charges (and DUoS)	Connection reform	Public investment if needed (e.g. GB energy)	Planning and consenting	Seabed leasing	Reform CfD / CM to include location	Constraint manage-ment markets / mechanisms

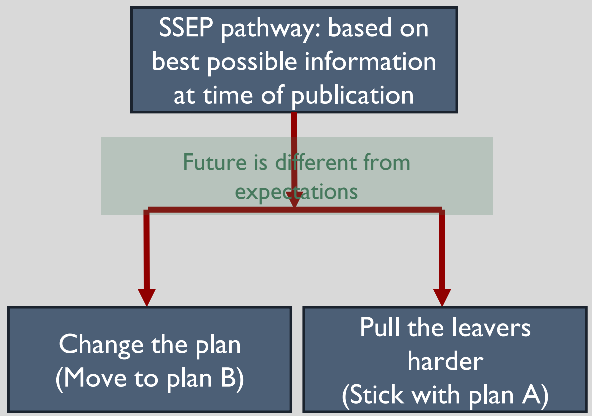
- What are the right levers to use?
- How do we coordinate those levers effectively?

Adapting to change: how to deal with an unknown future

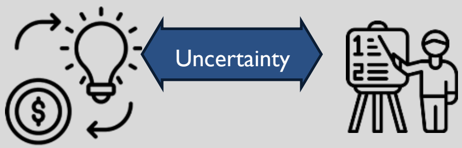
1. What level of **authority** will the plan have?



2. What will be our **response** if the future unfolds differently?



3. What is the **role of the market**?



4. **Timescale**: wait for the next SSEP cycle, or update earlier?

- What level of authority will the SSEP pathway have?
- What is the response to uncertainty?
- How do we use the market? Where do we override the market?

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What comes next?

Reformed national market delivery plan	Multiple SSEP pathways to Secretary of State	Public consultation on selected pathway	SSEP finalised	CSNP process	RESP process	Second SSEP
End of 2025	End of 2025	Spring / summer 2026	End of 2026	2025 - 2027	2025 - 2027 T-RESP: Q1 2026 Full RESP: 2027	Published end of 2029

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Thank you.

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Balancing act: operating our future electricity system

Chaired by Johnny Gowdy, Director, Regen

Saskia Barker

Wholesale Market Strategy Manager

NESO

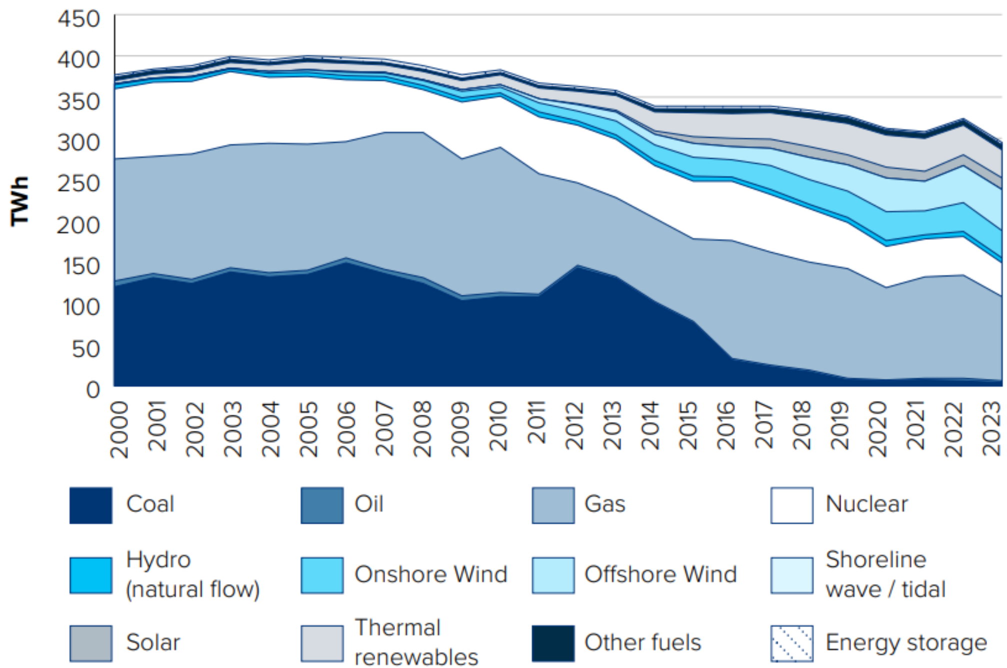
Public

Reformed National Pricing: where next for the GB electricity market?

Saskia Barker

NESO National Energy System Operator

Decarbonisation of power: our journey so far



Source: DESNZ (2024), 'DUKES'

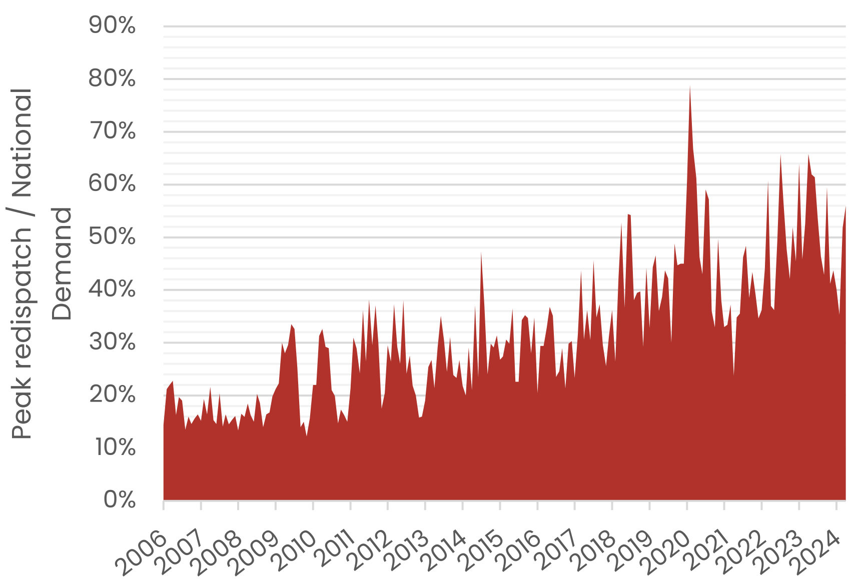
Note: The generation mix is on a UK basis.

Electricity generation mix (TWh), 2000-2023

- In 2000, 3% of electricity generation came from **renewable sources**
- By 2023 that figure was **40%**
- First G7 country to **phase out coal power** (Sept 2024)
- Strong **pipeline of clean power projects** in development
- Government ambition for a **clean power system by 2030**

The volume of redispatch has grown significantly

Peak Monthly GB redispatch as a share of national demand 2006-2024

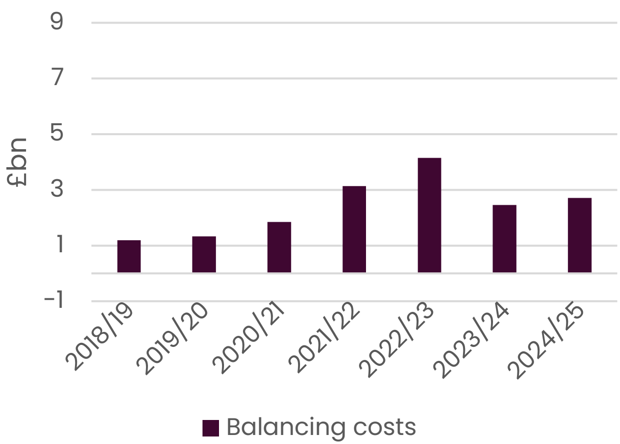


- As the electricity system has decarbonised, **NESO has increasingly needed to move away from its residual role** envisioned in NETA
- Balancing actions have been systematically increasing such that NESO now **frequently redispatches over 50% of the market**
- NESO is now often **operating as a de-facto central dispatcher**, without the appropriate tools or framework, which is **encroaching into the role of the market**
- At the same time, **NESO faces higher levels of uncertainty and variability**, compounding the potential for inefficient outcomes

NESO National Energy System Operator

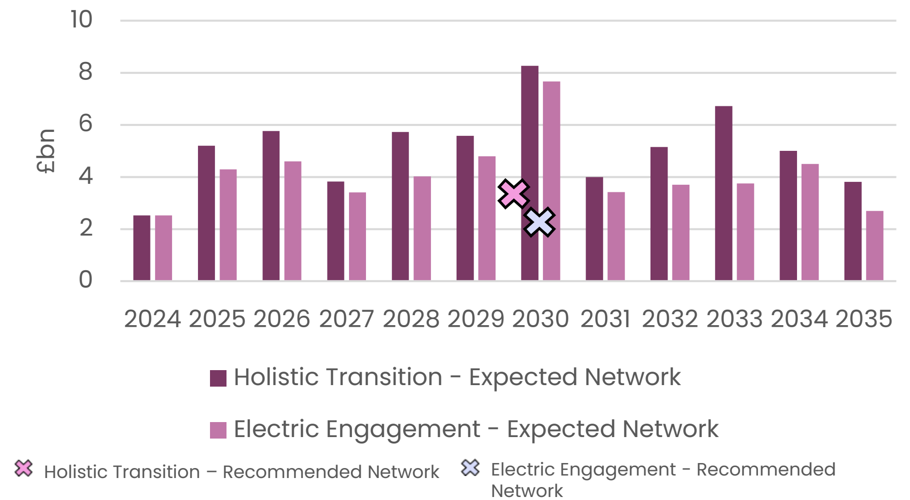
Increasing balancing costs highlight the need for reform

Outturn balancing costs 2018/19 – 2024/25



- Higher constraint costs have been driven by the **significant expansion in renewable generation** at the periphery of the network, at a much **faster pace than new transmission infrastructure** can be built
- **Thermal constraint costs are currently the main driver of balancing costs**, and we expect this trend to **continue in the future** as new generation connections in **constrained regions outpace network build**

Balancing cost projections 2025 - 2035



- **Balancing costs are expected to peak at ~£8bn in 2030** driven primarily by increased thermal constraint costs
- Any changes to **connection dates for new network build** would have a **significant impact on balancing costs**

Source: NESO Balancing Costs

Measures to address operability challenge

Better visibility across the market

More access to small, flexible assets

Stronger temporal signals

Potential RNP Operability Reforms:

- Shortening the imbalance settlement period to 15 or 5 minutes
- Lowering mandatory Balancing Mechanism participation threshold
- Physical
- Notifications that must match traded positions
- Alignment of the market trading deadline with gate closure
- Unit-level bidding

NESO will launch a Call for Input to allow industry to share views on these as well as wider reforms to be considered under RNP **before the end of 2025**

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SCOTTISH RENEWABLES' EVENT CALENDAR

SCAN TO VIEW ALL UPCOMING EVENTS

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