Department for Energy Security & Net Zero

Review of Electricity Market Arrangements (REMA)

REMA Summer Update

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Ministerial foreword

Our mission to make Britain a clean energy superpower is about getting off expensive, insecure fossil fuels controlled by petrostates and dictators, and replacing it with clean homegrown energy that we control. It presents a huge opportunity to boost our energy security, protect consumers, create jobs, and drive growth, while tackling the climate crisis.

To deliver this mission, we must ensure that our electricity market arrangements are fit for the future. The Review of Electricity Market Arrangements (REMA) Programme was set up in 2022 to consider how best to deliver a fair, affordable and secure power system. It has been supercharged by this government's clean energy superpower mission, delivering clean power by 2030 and accelerating to net zero across the economy.

This document sets out the outcome of that review, and our plans to create a more coordinated and strategically planned electricity system. This will give certainty to investors and ensure future electricity generation in Great Britain delivers the best value for consumers. **We have decided to retain a single national GB-wide wholesale market and introduce an ambitious package of reform to improve the efficiency of our future power system.** We have therefore decided not to implement zonal pricing.

These decisions will lay the foundation for a fair, affordable, secure and efficient electricity market. I would like to thank all the stakeholders across the energy sector who have worked with us during REMA. Delivering substantial and radical improvements in a national model will require continued collaboration between government including Ofgem and the National Energy System Operator (NESO), and stakeholders across the energy sector, and we will set out our detailed plans later this year.

This is a decisive step forward that lays the foundation for cheaper, more secure, and clean homegrown power for homes and businesses across Britain.

Foreword by the Rt Hon Ed Miliband MP

Secretary of State for Energy Security and Net Zero

Chapter 1: Summary of REMA decisions and next steps

The Review of Electricity Market Arrangements (REMA) was established in 2022 to ensure our electricity market arrangements support a decarbonised, cost-effective, and secure electricity system fit for the future. These goals align with our mission to make Britain a clean energy superpower and deliver Clean Power by 2030.

The REMA programme has considered a wide range of reforms designed to deliver the level of investment needed to reach our clean power ambitions; transition towards a flexible, resilient and secure decarbonised system; pass through the value of a renewables-based system to consumers; and optimise and operate a renewables-based system cost-effectively.

One of the main challenges REMA has considered is the misalignment between where our energy is generated and the availability of transmission networks to get the power to consumers. This mismatch in siting has resulted in significant inefficiencies in the form of rising network constraints and balancing costs, and two-way flexible assets sometimes not operating optimally for the system. Without strong, strategic intervention, these challenges will continue even with the abundance of cheap, renewable energy on the system. REMA has carefully examined a wide range of options to modernise our electricity market framework and address these issues.

We last published an update on the REMA programme[1] alongside the Clean Power 2030 Action Plan in December 2024[2]. We were considering two broad approaches for reforming the wholesale electricity market: **zonal pricing**, where the electricity wholesale market would be split into several zones across GB; and **reformed national pricing**, where we would retain a single national price in the wholesale market, alongside substantial reforms and greater strategic and planning co-ordination.

We have concluded that we will:

- **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**. This package will deliver a more strategic and co-ordinated approach to the energy system, provide stronger signals for efficient siting of new assets and improve overall operational efficiency, whilst also increasing stability and certainty for investors. The first steps of this change are detailed in the second chapter of this document, and we will continue to develop the package of reform ahead of a further publication later this year.

These reforms will support this government's vision for a future power system which harnesses the benefits of greater strategic planning, as well as market reforms. In one

[1] REMA Autumn Update: https://www.gov.uk/government/publications/review-of-electricity-market-arrangements-rema-autumn-update-2024.
[2] Clean Power 2030 Action Plan: https://www.gov.uk/government/publications/clean-power-2030-action-plan

form or another the state holds all the key relevant levers to solve our siting problem – through strategic and spatial planning, seabed leases issued by the Crown Estates, national planning processes, procurement of new generation projects, network planning, charging, and price controls, and other policy decisions. With better coordination and more active alignment from government and its partners, we can address the current misalignment between generation and transmission.

Our solution is to present a clear plan for our future power system, alongside better solutions to factor the cost of network construction and constraints into the siting decisions made for new generation. By providing transparent and predictable investment signals, reformed national pricing will help investors understand the relative system value of different locations. This clarity allows locational considerations to be accurately factored into investment and system planning, supporting better outcomes for the energy system as a whole. This is especially important at a time when our network infrastructure is seeing unprecedented investment and change.

Reformed national pricing addresses key concerns by providing:

- **Certainty:** Investors benefit from a more stable and predictable framework. Reforming transmission network charging (TNUoS) and connection charging to align with strategic and spatial planning, as well as other locational investment levers, reduces uncertainty and supports long-term investment.
- **Fairness for Consumers**: While generators receive locational signals through TNUoS charges, these costs are not passed on to consumers based on where they live. Instead, they are reflected in nationwide mechanisms such as Contracts for Difference (CfDs), the Capacity Market (CM), and wholesale prices. This ensures that consumers across Great Britain continue to benefit from uniform wholesale market pricing.
- **Lower Costs**: Reformed national pricing lowers the cost and complexity of investing. This creates a more attractive environment for investment and supports the timely delivery of new generation in the right places – which is designed to lower consumer bills.

Reformed national pricing will send a clearer upfront signal *ahead of the point of investment decision* about the relative system value of investing in different locations, which can be accurately priced into those investment decisions. The new Strategic Spatial Energy Plan (SSEP) aims to foster a coordinated, whole systems approach to planning and to promote anticipatory network investment – reducing waiting times for generation and storage projects to connect to the grid and cutting network constraint costs. It will map potential locations, quantities and types of electricity and hydrogen generation and storage supporting the UK, Scottish and Welsh governments and regulators, in tandem with energy markets, to assess the optimal locations, quantities and types of infrastructure needed to transition to a cleaner energy system.

The SSEP is the centrepiece of reformed national pricing. We anticipate the SSEP will be driven and implemented through important associated levers; these may include, but are not limited to, **planning reform**, **seabed leasing** (the process by which new offshore projects are brought forward and sequenced), **network build** (the Centralised Strategic Network Plan (CSNP)), **reforms to the connections regime**, and **reforms to network charging**. Through its delivery levers, it will spatially optimise the energy system, land and sea, across Great Britain. The first iteration of the SSEP, currently under development and subject to future consultation, is due for publication in 2026, and will include electricity and hydrogen generation and storage technologies. It will assess infrastructure potential on a regional basis, as agreed in the October 2024 commission to NESO and affirmed in the SSEP methodology published May 2025. This will provide clarity to industry, whilst allowing for competition through markets to identify the optimal projects to bring forward.

Next steps

The REMA programme has undertaken robust and comprehensive analysis throughout the policy development and decision-making process, looking at a broad spectrum of evidence. The full analysis will be published later in the year alongside further details on our planned delivery of reformed national pricing. To give investors as much certainty as possible, we are publishing this decision now given how crucial it is for investors in the next CfD allocation round (AR7) and across the economy.

Following this announcement, we will:

- Publish a Reformed National Pricing Delivery Plan, setting out the next steps on design and delivery later this year.
- Publish the final REMA analysis later in the year, including a full cost benefit analysis (CBA) of the different wholesale market reform options.
- Work in partnership with NESO to deliver the Strategic Spatial Energy Plan (SSEP) by the end of 2026, work with Ofgem to drive forward our review of Transmission Network Use of System (TNUoS) and connection charges, and work with NESO to launch a consultation on balancing reform (later this year) and complete their Constraints Collaboration Project.

Chapter 2: The Reformed National Pricing package

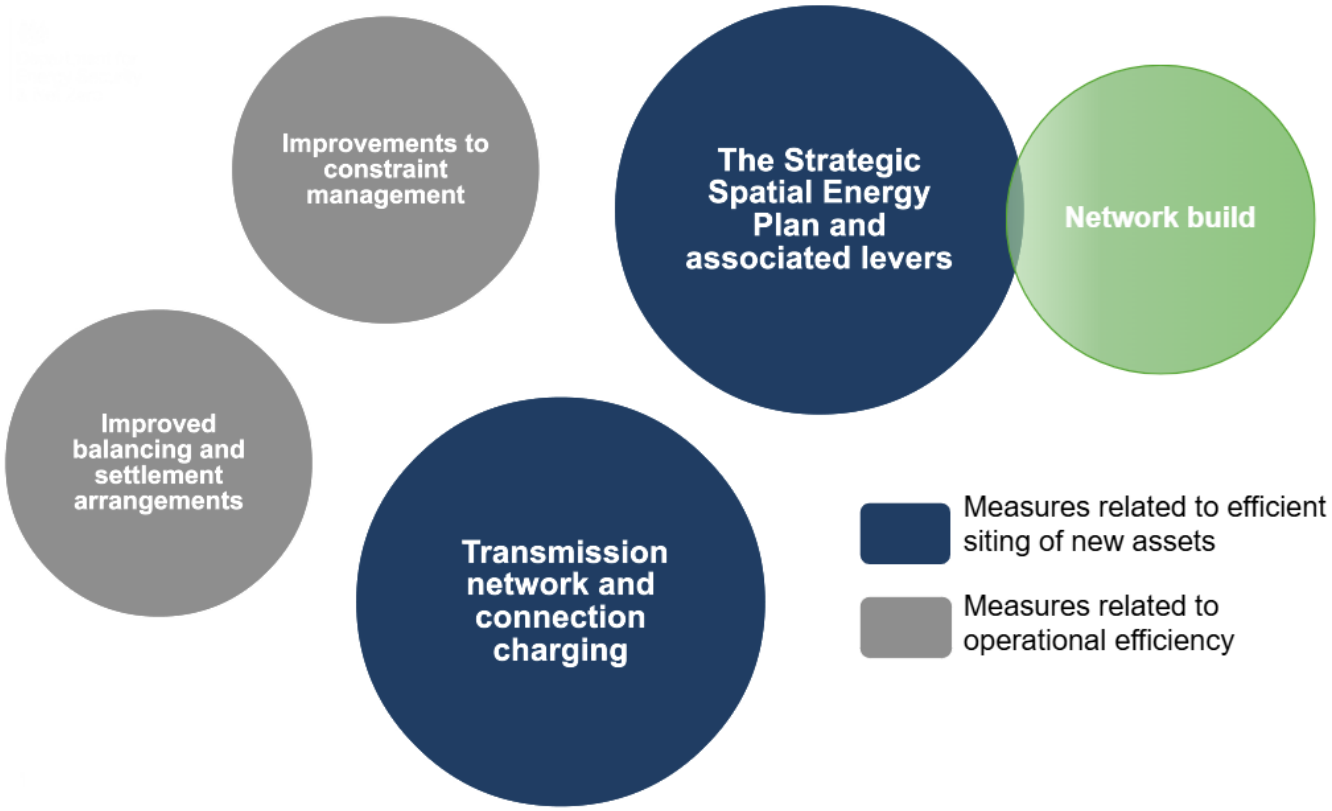
This chapter describes the initial elements of our reformed national pricing package, and how they contribute towards our vision for our future power system (as outlined in Figure 1). We also set out a summary of the options we have discounted.

The reforms are designed to provide stronger signals to address the historic under-investment in our electricity networks, incentivise more efficient siting of new assets across the whole electricity system, and to improve NESO's ability to operate and manage the system reliably and securely, while delivering fair outcomes for household and business consumers. The reforms are also designed to maintain stability and certainty for investors, to keep the costs of investment low and avoid risk premia raising consumer bills. Overall, we expect the package of Reformed National Pricing reforms will reduce bills for consumers, compared with a counterfactual scenario.

Reformed national pricing comprises a series of interventions, and builds on work already in train, including that being delivered under the Clean Power Action Plan. Progress is therefore already underway on key components of the package, while others are undergoing detailed development but planned for delivery in this Parliament.

These actions will provide coherence with the operation of our existing energy market; given the clarity that these decisions will provide to potential AR7 bidders, it is our view that there is no need for legacy or transitional arrangements for reformed national pricing ahead of AR7.

Figure 1: Graphic of the policies forming part of the reformed national pricing package.



The system has not been built in line with national needs

The costs to consumers of congested networks ("constraint costs") are a result of two factors. Firstly, in any electricity system it will never be possible to make use of every electron that could be produced, given natural variations in demand and generation in different locations. Generation and demand will never perfectly match, producing "structural constraints". Secondly, the historic failure to build new transmission network capacity in line with new generation has created "transitional constraints".

Some level of network constraints will be efficient, but we need to get the balance right between generation build, network build, and some low level of residual structural constraints. All of these carry a system cost, so the challenge is to find the equilibrium where we can secure greater benefits than costs for consumers.

However, in the short term, the transitional constraints in our current power system, which are due to the historic mismatch between transmission and generation build, need to be urgently addressed. The right solution to these transitional constraints is to accelerate the pace and scale of grid build-out, and to ensure the optimal siting of new generation through Reformed National Pricing. Rather than introducing zonal pricing which would create unnecessarily high

instability and uncertainty around future prices and zonal boundaries, which would be passed onto consumers in the form of higher prices.

We can address constraints with a clear plan for network build and the action we are taking to accelerate key network reinforcement projects including as part of our Clean Power Action Plan. Initial projections show that this acceleration could cut future constraint costs at least in half by 2030 compared to previous projections. Looking forward, the Centralised Strategic Network Plan (CSNP) will also be an essential policy lever to building greater certainty and aligning future generation and network more rationally.

Efficient siting of new assets

Efficient siting of new assets will help to ensure that burdens on our electricity networks and constraint costs are minimised. 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 (including network build through the CSNP), as well as reforms to Transmission Network Use of System (TNUoS) charges – the annual charges used to recover the costs of maintaining and operating the transmission network - and connection charges, the one-off fees paid by new generators when they connect to the network.

These reforms aim to send stronger and crucially more predictable locational investment signals than currently exist. They would incentivise market participants to consider more optimal locations from a systems perspective for siting their newbuild assets, and the impact on the transmission network and network constraints, when making investment decisions. This would encourage more efficient use of the existing transmission network, thereby reducing infrastructure build costs to consumers, as well as reducing the overall level of network congestion. More optimally co-ordinating network plans and siting decisions would also increase the efficiency of these assets (e.g. they would be constrained less often).

The Strategic Spatial Energy Plan and associated delivery levers, including network build through the CSNP

The SSEP will be at the heart of the reformed national pricing package. Ultimately, through its delivery levers, it will spatially optimise the whole energy system, land and sea, across GB. It will mark a step-change in how we plan and deliver our future energy system, assessing the optimal location, quantity and types of energy infrastructure required to meet future demand with clean, affordable and secure energy. We anticipate the SSEP will be driven and implemented through important associated levers; these may include, but are not limited to, **planning reform**, **seabed leasing** (the process by which new offshore projects are brought forward and sequenced), **network build** (the CSNP), **reforms to the connections regime**, and **network charging**.

NESO published their final SSEP methodology[3] in May 2025, which includes further detail on their working timelines. The Secretary of State for Energy Security and Net Zero will choose a pathway to be used for the draft SSEP consultation in early 2026. The first iteration of the SSEP will be published in late 2026 and reviewed on a three-year cycle thereafter. The SSEP will assess the optimal locations, quantities and types of energy infrastructure required across a range of plausible futures. The first SSEP will show the locations, capacities and timings of electricity and hydrogen generation and storage on an area basis. The first SSEP will also spatially optimise a small volume of flexible data centre demand (1-2GW). DESNZ, working with NESO, will set out further details on how the SSEP will be implemented through its various delivery levers in advance of the public consultation in 2026.

As set out in the October 2024 HMG commission to NESO[4] and affirmed in the SSEP methodology, government support for individual projects will continue to be allocated through competitive schemes (including the Contracts for Difference (CfDs) and Capacity Market (CM)) to determine exactly which projects are optimal and should come forward first.

The outputs of the SSEP will feed directly into and be published ahead of the CSNP, a 25-year plan for transmission network infrastructure which NESO is also developing to assess longer-term transmission network needs, primarily for the transfer of energy across electricity transmission, gas transmission, and hydrogen, both onshore and offshore.

The Government's approach will align with the Industrial Strategy's objectives. The SSEP and reforms to TNUoS charges will align to the Government's Industrial Strategy's growth sectors and wider growth priorities.

We will continue to support large users of electricity such as data centres in developing the power infrastructure they need. We will look to ensure strategic investments, such as data centres, will be located in places that deliver the best outcomes for the electricity system. The Department for Energy Security and Net Zero and the Department for Business and Trade will deliver the Government commitment to issuing a call for evidence to explore how the Corporate Power Purchase Agreement (PPA) market can be further developed, in due course.

Transmission network and connection charging

To support the delivery of the SSEP and determining the optimal location of new projects, under reformed national pricing we will reform our Transmission Network Use of System (TNUoS) and connection charging regimes for generation and demand.

Investors today complain that TNUoS charges are too volatile year-on-year, which leads to higher costs for consumers as generators respond by pricing uncertainty into their strike price bids. Reforming TNUoS so that it reflects the true long-term system benefits of new generation

[3] Strategic Spatial Energy Plan Methodology
[4] Strategic Spatial Energy Plan: commission to NESO

will ensure that it sends an effective and predictable signal about where new investment should be located within our system, increasing investor certainty and ensuring that the cost of network construction and constraints are factored into the siting decisions made for new generation.

We anticipate that sending locational signals predictably in this way will incentivise investors to respond at lowest cost and give greater information to all relevant parties as to the system benefits of new generation compared to today. This is a key means, in partnership with the SSEP and associated levers, of achieving some of the locational outcomes we want to see without introducing the uncertainty and risk of zonal markets which investors tell us they will find difficult to price.

We will work with Ofgem to develop reforms to TNUoS and connection charging for generation and demand. We aim to deliver TNUoS reform as possible within this Parliament, and by 2029 at the very latest. We will come forward with a detailed delivery plan later this year that will set out how we will achieve this deadline. We will seek to introduce primary legislation at the earliest opportunity to expedite implementation of these reforms. We expect that this legislation to give powers for both Ofgem and Secretary of State (if required) to amend the necessary codes and licenses. Ofgem will publish an open letter shortly which initiates the review of TNUoS. We expect that the review will cover (but not be limited to):

- A review of the TNUoS objectives, to ensure that they are fit for purpose and consistent with the role of TNUoS in supporting the SSEP in delivering an efficient siting of new generation
- Changes to ensure that TNUoS is compatible with both the SSEP and the CSNP
- Updates to the cost drivers in the TNUoS methodology, for example to reflect the impacts of spare network capacity, network constraints, and future network build.
- Changes to increase the predictability of TNUoS.
- A consideration of the balance between connection charges and TNUoS, with a view to deepening connection charges.
- A review of charges for storage and demand
- A consideration of the potential need for any transitional arrangements and of implementation arrangements

Operational efficiency

Improving the operational efficiency of assets on our electricity system, particularly in relation to network constraints, is another one of the key challenges we will face in future. We have identified a package of improvements, comprising a combination of improved balancing and settlement arrangements, and constraint management measures.

These measures will make an important improvement to the operational efficiency of the electricity system by improving NESO’s ability to keep supply and demand in balance in real

time (the main tool NESO use here is the Balancing Mechanism) and reducing the costs of managing network constraints. It will also help increase the flexible capacity available to NESO for balancing and improve their visibility of assets on the system. These improvements in operational efficiency will result in savings for electricity consumers.

The following measures have been identified with NESO and Ofgem as potential areas for reform:

- **Lower mandatory Balancing Mechanism (BM) participation threshold**: This would allow smaller assets, such as small-scale batteries, to participate in the BM. This would mean NESO would have more assets available to 'call on' when it needs to balance the system. This is particularly helpful given the growing share of smaller, embedded generation flexible assets on the electricity system.
- **Alignment of the market trading deadline with gate closure**: The proposal is to bring the electricity market trading deadline back in line with "gate closure" (the point when market participants must lock in their final plans for how much electricity they'll produce or use in a given half-hour period). These two deadlines used to be the same, but a 2017 rule change allowed trading to continue right up until electricity is needed, while gate closure remained an hour earlier. This mismatch creates uncertainty for NESO, which needs a clear picture of the system to keep the grid balanced in real-time. Re-aligning the deadlines would give NESO more confidence in its decisions and ensure all market participants—whether part of the Balancing Mechanism or not—are treated fairly under the same rules.
- **Physical Notifications (PNs) that must match traded positions**: This would mean the physical plans submitted by electricity generators, known as Physical Notifications (PNs), should match the trades they've made in the market. This would give NESO a much clearer and more reliable picture of what each asset is actually planning to generate. With this alignment, NESO can better understand the overall balance of supply and demand, which helps it make more accurate and efficient decisions to keep the electricity system stable.
- **Unit-level bidding:** this could support a level playing field between small and large market participants and allow for enhanced market power mitigation, particularly in relation to constraints. It would also give greater transparency of market behaviour. Further evidence is needed on this option.

In addition, together with NESO and Ofgem we are continuing to consider:

- **Shortening the imbalance settlement period to 15 or five minutes**: Shortening the settlement period duration from the current 30 minutes would create a more 'granular' wholesale market temporal signal. It could lead to greater market participation by smaller and innovative flexible assets that are very responsive, including demand-side response and battery storage. It could also reduce overall costs by moving volumes out of the BM and into the wholesale market. Shortening settlement periods would potentially be a major change to our market arrangements, with the potential for significant benefits but also significant costs and challenges associated with

implementation. We are working with NESO and Ofgem to consider the implications of this potential change and when it could be delivered.

We will continue to assess these reforms with NESO and Ofgem and would seek to support the delivery of these reforms through legislation.

We are also supporting the progress of the code modification P462. Currently, generators which receive subsidies factor these into the prices they offer when asked to reduce their electricity output in the Balancing Mechanism. These subsidies can distort the true cost of balancing the system, potentially increasing overall costs for consumers. P462 would remove these subsidies from the pricing process, so that the prices NESO sees better reflect the actual costs of balancing the system and would make the system more transparent. P462 is currently undergoing a cost benefit analysis as part of code modification processes overseen by Elexon. The cost-benefit analysis was started in February 2025 and Ofgem will receive a final report in 2026. We will continue to consider how this policy could work as part of a reformed national market including taking additional powers to implement the policy intent if necessary.

Constraint management measures

We are working with NESO and stakeholders to deliver constraint management measures through the Constraints Collaboration Project (CCP)[5], as part of the reformed national pricing package. These measures will help to reduce the impact of constraints and associated costs on consumers. Phase two of the CCP has recently finished and we are supporting NESO to conclude the project. Leading options include long-term contracts to incentivise new demand to locate behind constraints (including data centre demand) and technical measures for increasing the flow of electricity over network boundaries. In addition, NESO will work across industry to look broadly and widely at further options to reduce constraint volumes and costs.

Improving interconnector flows

Interconnectors are, and will continue to be, an important component of GB's energy capacity mix and for supporting GB's transition to net zero. In the 2024 REMA Autumn Update, we concluded that we would need to work bilaterally with European partners to improve the alignment of flow with system need of interconnectors relative to network constraints. At the UK-EU Summit, we agreed to closer co-operation with the EU on energy, strengthening our energy security and our economy and helping us achieve our net zero goals. As part of this, under the Common Understanding agreed between the UK and EU[6], we will explore UK participation in the EU's electricity trading platforms in all trading timeframes. We will continue to work with NESO to ensure that the existing tools that are available to them are used to manage interconnector flows as effectively as they can be. This includes system operator to

[5] NESO Constraints Collaboration Project. Available at: https://www.neso.energy/industry-information/balancing-services/constraints-collaboration-project

[6] The Common Understanding agreed between the UK and EU

system operator (SO-to-SO) trading and counter trading.

Wider operability measures

As set out in the Clean Power 2030 Action Plan, government and NESO are developing measures for ensuring that system operability is maintained as the grid is decarbonised. Measures include developing a 2030 operability strategy, forecasting of future operability needs to allow for greater certainty in investment decisions on provision of zero carbon ancillary services and potentially tracking carbon emissions from ancillary services.

Discounted options

In the 2024 REMA Autumn Update, we set out several further options for reforms to our electricity market arrangements. From the start of the REMA policy development process, the different policy REMA options have been assessed with regards to how they performed against five key REMA assessment criteria: value for money, deliverability, investor confidence, whole system flexibility, and adaptability. Together the criteria ensure that our objectives of decarbonisation, security of supply and cost-effectiveness are met. We have qualitatively assessed all of our remaining REMA options against these criteria. We have also qualitatively assessed zonal pricing and reformed national pricing against the three key challenges facing the wholesale market, as set out in our 2024 REMA Autumn Update.

We have now decided to discount the following options:

Zonal Pricing:

We have carefully considered the case for zonal pricing. Our conclusion is that whilst both zonal and reformed national pricing could address the key challenges faced by our wholesale market, there are significant risks to zonal pricing that we have not been convinced can be satisfactorily addressed compared to our preferred approach of reforms to national pricing.

The first is the degree to which zonal pricing creates stable long term locational investment signals for new generation. With CfDs protecting generators from locational price risk, the locational signal for new renewable generators under zonal comes primarily from the amount of locational volume risk to which CfD holders are exposed. This fluctuates on a half hourly basis depending on the underlying demand, network and generation conditions. In order to make an investment case, market participants would need to accurately project future volumes of output they would be able to sell into a zonal market that does not yet exist and where market boundaries (and therefore volume risks) could change during an asset's lifetime. In the face of that uncertainty DESNZ has considered protecting certain legacy assets and those who would be successful in AR7 from this locational volume risk via a potential Financial Protection Scheme. However, this protection would also blunt locational investment signals in the short term. Our preferred approach instead uses network charges to send predictable, stable long term locational investment signals at the point of investment, that allows generation to be deployed in line with our broader strategic plan for the energy system, consistently with the SSEP and CSNP.

Second, there are distributional challenges presented by zonal pricing. Zonal pricing would mean different wholesale electricity prices in different zones across Great Britain. Additional policies could be introduced to seek to smooth out these impacts, but these mitigating measures would themselves have distributional impacts and fairness risks. While suppliers could manage these risks on behalf of consumers, that would result in them pricing additional risk premia into tariffs. We have not found a simple way to guarantee that all consumers would be made better off, while creating a substantially more complex energy system with additional protections and transfers creates additional risks in the system and would erode some of the efficiency benefits of zonal pricing. Overall, this creates a risk that fair outcomes for consumers are not achieved.

Third, we are trying to deliver a historic level of investment in the energy system to both replace existing assets that are retiring and get off the roller-coaster of fossil fuels and ensure our energy security. Zonal pricing would be likely to create additional risk and uncertainty for investors. Even with mitigation measures in place, some residual risk and uncertainty would inevitably remain, increasing the cost of delivering the required level of investment, with short-term impacts for consumers.

Finally, regarding delivery. Zonal pricing carries significant delivery challenges and risk, owing to its complexity. It would require substantial change across the industry in order to be implemented, which we have assessed would take seven years assuming no delays. In comparison, reformed national pricing will be quicker and less complex to deliver, with significantly less disruption in the meantime. Reformed National Pricing would aim to bring benefits to consumers sooner than would be possible under zonal.

Certain options under balancing and settlement arrangements: in the 2024 REMA Autumn Update we put forward several potential options in this space. We have refined the options with NESO, down to the measures set out in the section above. This has involved discounting the following two measures:

- **Dual-Imbalance Pricing:** NESO believes that the current set of proposed changes under balancing and settlement arrangements (see above) should be enough to reduce the impact of Net Imbalance Volume (NIV) chasing (when market participants create an energy imbalance to benefit from real-time prices, instead of submitting bids or offers in the BM). Therefore, implementing this reform would not represent value for money. NESO are concerned that bringing back dual-imbalance pricing could make imbalance prices less reflective of actual system costs, which could harm the accuracy of market signals, which could impact on investor confidence and value for money.
- **Quasi-pay-as-clear BM:** this would introduce a system where certain balancing actions would be paid based on the higher of two prices: the imbalance price or the accepted bid/offer price. The benefit of this would be to support more flexibility to participate in the balancing market. We do not think that a Quasi-pay-as-clear BM represents value for money because the benefits can be achieved through other means. A better way to encourage flexible energy sources (like batteries or demand response) to take part in the balancing market is to lower the threshold for mandatory participation (see above).

We also scored quasi-pay-as-clear BM relatively low on deliverability as it would be complex and challenging to implement.

Chapter 3: Implementation and next steps

We will continue to develop the package of reform and set out how this package of measures will be delivered in a Reformed National Pricing Delivery Plan published later this year. This will include:

- A vision of the future state of operations for the GB electricity market.
- A delivery timeline with key activities for implementing reformed national pricing.
- An overview of the legislation required to deliver this reformed national pricing package.
- How government plans for all locational signals to provide clear and consistent signals to project developers and investors.
- A separate consultation on proposals to make changes to the Capacity Market to ensure it can meet its objectives as the energy system changes will also be published later in 2025.

In addition to this delivery plan, we will:

- Publish the final REMA analysis later this year, including a full cost benefit analysis (CBA) of the different wholesale market reform options.
- Deliver the Strategic Spatial Energy Plan (SSEP) by the end of 2026 and drive forward reform of TNUoS, connection charges, and balancing arrangements. We will also complete the Constraints Collaboration Project. This will all be done in partnership with NESO and Ofgem.

Legislation: To deliver reformed national pricing we will introduce primary legislation that will facilitate the necessary changes and delivery pathways to achieve REMA's goals. Further details will be set out in the Reformed National Pricing Delivery Plan later this year.

SSEP: The government commissioned NESO to develop the SSEP in October 2024. Our Reformed National Pricing Delivery Plan later this year will set out how we expect SSEP and its associated levers to interact.

Network Charging: We will work with Ofgem to reform connection charging and TNUoS. As outlined above, the government is ready to support the necessary code modifications through primary legislation, providing a streamlined and consultative route to develop and make the reforms. Previous market reform involving change to industry codes have generally been facilitated by conferring a time-limited power on the Secretary of State and/or Ofgem to make the necessary modifications to codes and/or licences. Subject to the will of Parliament, we would look to adopt a similar approach here.

Balancing and settlement arrangements: Changes to balancing and settlement arrangements will provide NESO with the tools and framework to redispatch effectively and securely. These options are being considered in addition to the wide range of 'business as

usual’ NESO measures which are already in progress. As with network charging, necessary code changes will be delivered with the support of primary legislation.

NESO will launch a consultation process on these measures later this year and undertake an impact assessment. We will continue to work with NESO and other delivery partners to develop further proposals. We will continue to engage with stakeholders to obtain feedback, to ensure reforms can deliver their maximal potential.