

Public

GB Pricing Methodology Consultation Cover Letter

Pricing Methodology for Balancing Products

Consultation Opening date: 21st March 2025.

Consultation Closing Date: 5pm 4th April 2025.

Respond to: box.eft@nationalenergyso.com

Dear Industry Colleagues,

Prior to the UK's exit from the European Union, ACER had approved a European Pricing Proposal (EPP) that outlined when and how Pay as Clear (PAC) would be applicable, avoiding the need for multiple derogations where it was determined that products should not utilise PAC.

Article 6(4) of the Clean Energy Package (CEP) (Article 6(9) of Regulation (EU) 2019/943, retained in GB law by STATUTORY INSTRUMENTS 2020 No .1006) obliges TSOs to settle Balancing Energy (utilisation) on a Pay as Clear (PAC) basis for Standard and Specific Balancing products.

However, as most balancing products in GB use a Pay as Bid (PAB) settlement for Balancing Energy, in 2022 NESO (then NGENSO) after engagement with industry developed a Pricing Proposal (PP) in line with the EPP that is specific to the GB market, negating the need for multiple derogations to be granted from Ofgem. The proposal was approved by Ofgem on the 20th of May 2022 and became the GP Pricing Methodology. This was shared with industry and has now been in place for three years.

The Pricing Methodology is currently going through an internal review process and NESOs view is that it is still fit for purpose. This consultation is to seek formal industry feedback on the Pricing Methodology and views on what impacts there may be on stakeholders.

If approved again, this Pricing Methodology will continue to form part of the product development cycle. The output of the Pricing Methodology is an assessment of the market conditions and a CBA if required. This will be included within the Article 18 submission for new balancing products.

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This consultation consists of 4 documents, and we recommend reading them in this order. They are available at our website, **as well as in the link in the table below:**

Reading Order	Document	Purpose
1	GB Pricing Methodology Consultation Cover Letter.	Introduction and Consultation details.
2	GB Pricing Proposal Explanatory Document 2022. <u>Click Here to Access.</u>	The 2022 version of the explanatory document to give further information and context on development and methodology behind the Pricing Proposal.
3	Draft GB Pricing Methodology V1.2. <u>Click Here to Access.</u>	Reviewed Pricing methodology which includes new balancing products, and an indication of which products are being phased out or have been phased out.
4	GB Pricing Methodology Pro-Forma <u>Click Here to Access.</u>	Please use this form to respond to the consultation.

Please respond by 5pm on the 4th of April 2025, using the proforma available on our **website** to **box.eft@nationalenergyso.com**. If you have any queries regarding this proposal, please contact us using the above email address.