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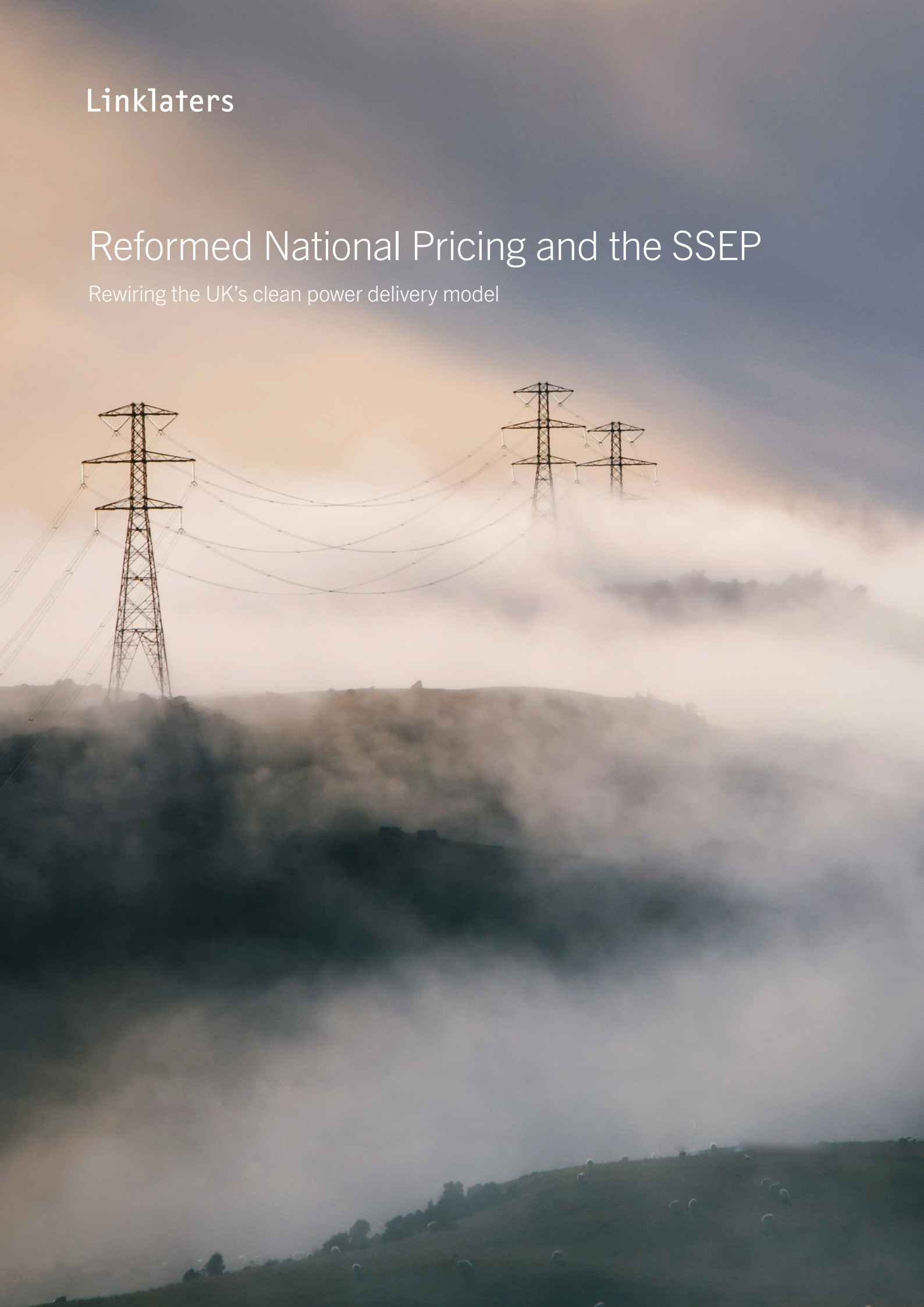
Reformed National Pricing and the SSEP

Rewiring the UK's clean power delivery model





At a glance

What's changed

The UK is moving decisively from a market-led approach to a centrally planned electricity system working alongside market forces. The Government has tasked NESO with producing the Strategic Spatial Energy Plan (SSEP) to map where and when generation, storage and hydrogen infrastructure should be built, and has confirmed (July 2025) that Great Britain will retain a single national wholesale price, now to be delivered through Reformed National Pricing (RNP) rather than zonal pricing.

Mechanism

The SSEP (supported by central and regional network plans) sets the strategic spatial vision; RNP translates that vision into market signals through its three pillars: (1) **siting and investment levers** (connections reform and reformed TNUoS locational charging, backed by investment support schemes); (2) **constraints management** (reducing the volume and cost of constrained energy); and (3) **balancing and settlement reforms** (updating balancing mechanism participation, physical notifications, gate closure and potentially the imbalance settlement period).

Who is impacted

Projects already holding connection offers, CfDs or capacity market agreements at the point of implementation are expected to be grandfathered but the detailed mechanics and the scope of "legacy" and "transitional" assets are still being worked out. Projects currently in development face the greatest exposure to misalignment with the final SSEP pathway.

Next steps

A final decision on the preferred combination of RNP siting and investment levers is expected by the end of 2026; the timing for the final SSEP is (at the time of publication) Autumn 2027, with the Centralised Strategic Network Plan and Regional Energy Strategic Plans to follow by the end of 2028. TNUoS reforms are targeted for implementation by 2029. In the meantime, developers and investors should track consultations closely and consider responding where appropriate, revisit project documentation (including change in law and TNUoS pass-through provisions), and assess exposure to potential misalignment between projects already in development and the eventual SSEP pathway.

Clean Power 2030 and the choice for centralised planning

The UK is still striving for its 2030 goal of 95% clean power generation, backed up by unabated gas when essential. Although Government rhetoric has shifted slightly in recent times to highlight the challenges of delivering against this goal, as we explore in this article, whether or not the 2030 target is met, there is no doubt that the transformation of the power system is happening at an unprecedented scale and pace.

> The UK is moving decisively from a market-led approach to a centrally planned electricity system

Government has determined that there is a specific role for centralised planning in a clean energy system dominated by intermittent renewable generation, particularly in the light of projected increasing energy demand and decades of underinvestment in the UK's energy infrastructure. As a result, the Government-owned National Energy System Operator (NESO) has been tasked with delivering a Strategic Spatial Energy Plan (SSEP), taking a "whole system approach" to mapping different, but conceivable, options for how the energy system might look in the future. The SSEP will outline the technology type, zone and timing of electricity and hydrogen generation and storage infrastructure needed to meet expected future demand and reach Net Zero by 2050. Once the SSEP is confirmed, the ensuing related blueprints of the Centralised Strategic Network Plan (CSNP) and the Regional Energy Strategic Plans (RESPs) will translate the SSEP into a concrete, coordinated transmission build-out programme.

The SSEP will not be a map of where developers can or cannot build. It will function as a vision of what the UK's future energy system will look like; a strategic capacity and location target. This blueprint will then feed into other policy decisions and market signals such as connections reform, Crown Estate leasing and subsidy allocations. Together these signals are intended to influence where projects are actually developed, enabling the alignment between generation and network build needed for a secure, resilient and clean energy system. The SSEP will not be static; an update is expected to be published every 3 years.

Centralised spatial planning is new in a UK context. Although it represents a genuine shift away from a market-led system and is a fundamental structural change, it is designed to be complemented by, and to work alongside, existing market forces. Traditional market-led drivers of economic efficiency and innovation, such as competition, will continue to play a significant role.

Location, location, location

Locational questions matter in a clean energy system. The very nature of renewable power means that generation is more decentralised; greater physical connection to other markets becomes crucial for energy security and system resilience. Achieving whole system success in this context is predicated on coordination across the sector.

While the SSEP will set out the strategic direction of travel, there still needs to be a mechanism for implementing the vision. The central challenge this mechanism must address is how to get sufficient amounts of power from where it is generated to where it is needed. The earlier Review of Energy Market Arrangements (REMA) had considered using zonal pricing as a means of implementing signals for where generation projects should be built. It was rejected in favour of reformed national pricing (RNP). Investor uncertainty, financing-cost risk and complexity were the main reasons zonal pricing was rejected, alongside Government's wish to avoid destabilising the market ahead of a crucial seventh renewable CfD allocation round. Our article, Britain's wholesale electricity pricing to be reformed, covers the detail of the outcome of REMA.

With zonal pricing off the table, the locational signals needed to influence where generation is sited will instead be delivered through a coordinated set of non-price mechanisms, namely spatial planning, network build, connection reform and locational network charging, the latter two elements of which are called "siting and investment levers" in the Government's Reformed National Pricing (RNP): delivery plan (July 2026) (RNP Delivery Plan).

RNP as the delivery mechanism and the sequencing problem at its heart

RNP is not itself a reform of how wholesale electricity is priced; Great Britain is retaining a single national wholesale price. It is instead a package of non-price interventions across the power sector designed to deliver the locational signals that would otherwise have come from zonal pricing and to create efficiencies that reduce overall system costs. By navigating the tricky balance between exposing participants to signals which reflect system impact whilst remaining predictable enough to allow investors to take on risk, the hope is that, as efficiency increases and the amount of capital investment needed decreases, costs will be reduced all round. The Government estimates that RNP can deliver between £10-20bn in benefits.

> The risk of mismatch and the potential for further change once the SSEP is finalised is a particular challenge for projects set for development in the short and medium term.

There is, however, a wrinkle in the sequencing; the SSEP timeline has slipped with the final SSEP now expected in Autumn 2027, followed by the CSNP and RESPs by end of 2028. In the meantime, the siting and investment levers in the RNP Delivery Plan are being designed and consulted on ahead of the final SSEP pathway being chosen. The risk of mismatch and the potential for further change once the SSEP is finalised is a particular challenge for projects set for development in the short and medium term.

The three RNP pillars

The three pillars of the RNP Delivery Plan, together, deliver the locational signals that would otherwise have come from zonal pricing.

Pillar 1 RNP – siting and investment levers

The grid connections regime and locational charging mechanisms (i.e. reformed TNUoS - see further details below) are the two "primary levers" set out in the RNP Delivery Plan which will influence siting and investment. These levers interact closely with Government investment support mechanisms such as the CfD scheme and the capacity market. Decisions on the network capacity to be made available to each technology in each SSEP zone will, for example, affect how many connections agreements are allocated, which in turn affects competition between projects for investment support. Similarly, decisions on locational charging will affect the geographic distribution of which projects are successful in securing investment support. Reforms to planning, seabed leasing and network planning and build are treated as "enabling levers" which operate more independently to align with the SSEP. The various levers will, together, influence decisions about the location and quantity of generation and storage assets in optimal areas and are, therefore, the mechanism for implementing the SSEP.

The changes proposed will not be retroactive so projects with existing connection offers, CfDs or capacity market agreements already "issued" at the time the reforms are "introduced" will not be affected. Projects which are in development both now and at the time the reforms are implemented, however, will need to factor these changes in. Given the long lead time for development of greenfield generation and storage assets, many developers may already have a secured site and incurred planning costs but not yet secured CfD, capacity market or cap and floor regime support. Some of these projects may turn out to be no longer viable based on a finalised SSEP.

The reality of the SSEP process is that there is a risk that the development of earlier phased projects is stifled if developers determine the risk of non-alignment with the SSEP is too great.

Grid connections regime (primary lever)

RNP's connection regime lever is concerned with aligning the connections process with the SSEP to reduce connection delays and ensure timely delivery of strategically valuable projects. Ofgem approved NESO's TMO4+ package on 15 April 2025, replacing the "first come, first served" process with a "first ready and needed, first connected" model. The SSEP is likely to build on this approach by incorporating alignment with spatial planning into the methodology that determines connection offers for generation and storage.

Locational charging – TNUoS reform (primary lever)

Connections reform is balanced with locational charging in the different options proposed. In the RNP Delivery Plan, locational charges are the mechanism through which the SSEP spatial priorities are converted into a financial incentive for individual developers. The RNP Delivery Plan describes this directly: to make Transmission Use of System Charges (TNUoS) reflect the future, planned network Ofgem would need to add the "committed-but-not-yet-built" network into the cost model used to calculate TNUoS. Done well, this should make the charges more accurate over the long-term, reflecting both the existing system and planned network build. As a result, the charges are more likely to influence investor decisions which align with the SSEP pathway. The RNP Delivery Plan itself flags the risk of getting this wrong; if locational charges diverge too far from the eventual SSEP pathway, this could perpetuate issues with generation and network build being misaligned.

TNUoS are designed to recover the ongoing costs of maintaining, expanding and reinforcing the transmission system. Currently the charges are intended to send a cost-reflective signal to drive efficient generator siting decisions and are a means through which each Transmission Owner receives its allowed price control revenue. Generators located further from demand centres generally face higher charges, reflecting the greater expected need for network expansion. However, current TNUoS methodology, only prices the incremental cost of an additional 1MW at a given node, based on the assumption that the network is otherwise fully utilised. There is no alignment currently with strategic planning for, or existing constraints within, the network.

Ofgem's Call for Input, Locational Charges and Regulatory Siting Levers Under Reformed National Pricing (which closed on 26 May 2026) sets out design options for reform of the existing TNUoS methodology. The proposals range from a least-change option, retaining the current charging methodology with targeted improvements, to more transformative change, which could involve setting charges via auction-based pricing of connection capacity by SSEP zone.

Incremental change;
capturing marginal network costs

A) Targeted changes to current charging regime	Maintaining the current regime with targeted refinements to improve predictability
B) Network utilisation impact charge	New methodology based on network long-run marginal cost, better reflecting network utilisation
C) System and constraints impact charge	Charges reflecting wider system costs, including the long-run costs associated with structural constraints
D) Metric-based charge	Simplified charges based on metrics reflecting SSEP alignment or constraints impact
E) Plan-based auction pricing	Charges set by auctioning off SSEP-based capacity of connections by zone/technology

Transformative change;
capturing wider system impacts

Options for interzonal locational charges: Ofgem's Call for Input: Locational Charges and Regulatory Siting Levers under Reformed National Pricing

Until Ofgem's work on the design of reformed TNUoS is completed and the alignment with spatial planning clarified, developers will be navigating uncertainty as to what these charges will be in the medium and long term. Implementation of the proposals is expected by 2029.

In the meantime, developers will need to consider how TNUoS charges are addressed in project documentation.

Although they are typically carved out of change in law provisions in power purchase agreements, for example, it may be the case that the uncertainty enables developers to negotiate their inclusion in change in law provisions ultimately allowing the parties scope to come to an agreement at the time of a material change about the sharing of a resulting increase (or otherwise) in costs.

In a further example of the uncertainty such reforms engender, long duration electricity storage (LDES) projects in development seeking to benefit from cap and floor scheme support do not currently have clarity about whether their licence conditions will allow a full pass through of TNUoS costs. For projects that cannot change location, the unknown potential exposure will likely increase the cost of capital unless resolved by policy intervention in due course.

Legacy and transitional (LAT) arrangements are being developed as part of the reform of TNUoS to safeguard investors given that these charges impact a project throughout its life cycle. Existing operating assets liable to TNUoS charges (legacy assets) and assets for which investment decisions are taken before RNP is fully implemented (transitional assets) will be protected by either, (i) a parallel charging regime, recalculated annually, (ii) a phased transition to the RNP methodology over a set period, or (iii) a fixed charging regime based on current methodology, not recalculated once set. Acknowledging the risk of an investment hiatus pending clarity around the reform, it is possible that the LAT arrangements are implemented ahead of the wider reform package.

Combining the two primary levers

The RNP Delivery Plan treats the connections regime and reformed TNUoS as two interlocking dials that can be turned up or down relative to each other, but both ultimately calibrated against the same SSEP (or CSNP) planning line. By looking at system efficiency, deliverability, investor confidence and adaptability to key future uncertainties, the RNP Delivery Plan sets out why Options 1 and 4 have been dismissed and Option 2a/b and Option 3 are preferred as the means of combining the levers to deliver the SSEP with the greatest system benefits.

Core options to combine the different siting and investment levers

		Option 1 Permissive connections regime; stronger role for locational charges, with variations for different technologies	**Option 2a** Directive connections regime; no/lesser role for locational charges, with variations for different technologies	**Option 2b** Directive connections regime; no/lesser role for locational charges, with variations for different technologies	**Option 3** Directive connections regime; stronger role for locational charges, again with the SSEP, with variations for different technologies	**Option 4** A combination of Options 1 to 3, with multiple different approaches to price signals running in parallel for different technologies
Connections reform	Connections regime	**Permissive** CCT informed by the SSEP.	**Directive** Firm CCT, informed by the SSEP.	**Directive** Firm CCT, informed by the SSEP.	**Directive** Firm CCT, informed by the SSEP.	**Permissive or directive** Either, depending on the technology.
	Connection Capacity Thresholds (CCT)	**Higher or Lower** Limited impact of thresholds with a more permissive approach. CCTs have no firm threshold.	**Lower** To enable alignment with SSEP through connections (especially with no locational price signal).	**Higher** To create room for competition among developers and account for attrition.	**Higher** Combined with a role for locational price signals to deliver the optimal pathway.	**Higher or Lower** Depends on approach how high or low thresholds are or this would need to be balanced across different technologies.
Locational charges	Network and connection charging	**Strong, reflects existing system** Price signals are reflective of locational costs relative to the existing system and network and do the heavy lifting on driving siting of new generation for most technologies.	**No/lesser role** Locational decisions are primarily driven by the SSEP.	**No/lesser role** Locational decisions are primarily driven by the SSEP.	**Strong, reflects future system** Locational signals are reflective of locational costs relative to the future system and network and are seeking to deliver the optimal system pathway for most technologies, within the boundary set by the CCT.	**Mixed** Could be no/lesser locational price signal, reflective of the current system or reflective of the future system, depending on the technology.
	HMG investment support mechanisms (inc. CfD)	With no hard limits on project location set by SSEP and connections, could need locational "maxima" in auctions to safeguard against sub-optimal geographical distribution of new generation projects.	Would need to ensure appropriate geographical distribution of new generation projects. However, if the CCTs are lower this could limit need for this as having a connection agreement is a prerequisite for participating in CfD or CM.	With a lesser role for network charging signals, network build is not incentivised in underdeveloped regions, risking higher constraint costs and inefficiencies unless combined with investment measures (e.g. CfD changes).	May not be required if locational pricing mechanism can be sufficiently reflective of optimal system pathway but could be needed as a secondary measure.	Needs further consideration across different technologies.

Core options to combine the different siting and investment levers: RNP Delivery Plan

What each of the preferred options has in common with the others is that the connections regime will be directive rather than permissive in relation to its influence on siting. This is achieved through the implementation of a new concept known as a connections capacity threshold (CCT) which is informed by, though not necessarily the same as, the anticipated generation capacity by technology and zone set out in the SSEP (known as the "CSNP planning line"). A firm CCT, as proposed, would act as a strict filter on connections, establishing which generation projects should receive a connection agreement, up to a threshold. Determining where to set the CCT relative to the CSNP planning line is a key policy judgment and the main difference between options 2a and 2b, the threshold being higher in the latter. A higher CCT threshold is similarly a feature of Option 3. Distinct from Options 2a and 2b, however, Option 3 affords a greater role to network charging, with locational charging reflecting costs relevant to the future system and network and, therefore, influencing which projects proceed and where.

Investment support mechanisms (enabling lever)

Government and Ofgem support regimes such as the CfD, the regulated asset base model, the hydrogen-to-power business model, the power CCUS dispatchable power agreement, the capacity market, the interconnector cap and floor and the LDES scheme will likely be used to support the delivery of technologies in optimal amounts or locations in accordance with the SSEP. Various locational elements may be considered within the schemes to help drive siting outcomes, such as the increased use of locational maxima or minima.

Pillar 2 RNP – constraints management

Great Britain has extremely high constraints costs, projected to reach £7 billion a year in 2030/31 in the absence of any mitigating action. A cost ultimately passed through to consumers. Constraints occur where the network does not physically have enough capacity to transfer the required amount of electricity from where it is generated to where it is needed. In these scenarios NESO has to manage constraints and often does so by asking generators in the part of the system which is overloaded to reduce their output to maintain system stability (a turn down action). Those generators are then compensated by a constraint payment. In addition, NESO may also need to ask generators in regions of high demand to increase their output (a turn up action), also at a cost. Historic underinvestment and the slow delivery of new transmission infrastructure has contributed to the UK's constraints predicament. The RNP Delivery Plan seeks to find better ways to manage constraints costs by reducing the volume of energy that is constrained through increasing existing network efficiency, accelerating new network build and by reducing the price paid to manage "turn up" and "turn down" actions.

Achieving this aim involves a wide range of actions; working with connected third-country system operators to improve cross-border trading and balancing, continuing progress on demand side flexibility measures, maximising the benefits of storage technology, delivering a substantial reduction in skip rates and an acceleration of new network build are all ongoing workstreams to this end.

The use of AI Growth Zones, encouraging electricity guzzling data centres to locate in constrained areas to make use of excess electricity, is also a policy lever. Where such data centre siting results in lower system costs, a commensurate



discount on the data centres' electricity costs is on offer, potentially through an exemption on the payment of certain use of system charges. This policy is due to be implemented in April 2027.

In a future, strategically planned system, the vision is that constraint costs will fall away. The raft of measures being taken to date, and the weight they are given as Pillar 2 of RNP, reflect the significance of the immediate impact of a constrained system. Investors and developers will be acutely aware, however, that solving the issue will take time.

Pillar 3 RNP – balancing and settlement reforms

Grid stability is ensured through a NESO-managed process of balancing and settlement to ensure real-time matching of supply and demand on the system. As generation technology has changed over time, the activities that NESO undertakes to balance the system, known as redispatch, has also evolved, requiring new arrangements to support their execution.

Three key proposals are likely to be implemented in short order: lowering the mandatory balancing mechanism (BM) participation threshold, a new requirement for physical notifications to match traded positions and the alignment of the market trading deadline with gate closure.

Two further proposals, in relation to unit-bidding and shortening the imbalance settlement period to either 15 or 5 minutes [from 30], are more complex. A decision on whether or not to develop these options further is anticipated before the end of the year.

The combination of the above measures is intended to influence operational decision making by market participants that support the needs of the system whilst increasing visibility for NESO on system use. The measures will reduce the scope for the trading tactic of deliberately incurring a system imbalance to benefit from price volatility and incentivise "self-balancing", bringing system needs into consideration in trading decisions. Lowering the BM threshold will increase the range of assets available to NESO to deploy in redispatch activities, all of which will reduce balancing costs and increase opportunities for smaller assets on the system.

Building the grid to match: investment implications

National Grid estimates that the UK needs roughly five times the transmission build of the last 30 years within the next 12 years. The need to significantly improve on historic build rates is driving major private capital interest in regulated network assets, with the RIIO price control settlements (ET3 and ED3) being the funding vehicle supporting the required investment.

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The location of and scope for investment in build-out of the grid will be informed by the nexus of processes described above. It is clear that to achieve the desired outcome, an unprecedented step-change in investment is needed. The first of the competitively appointed transmission owner (CATO) tenders, offering the right to design, finance, build, own and operate onshore electricity transmission assets in return for availability-based payments, is set for 2027. Although the CATO regime has been discussed for over a decade, the legislative framework for its implementation is now in place; draft licence terms have been published and developers and investors are aware that this now offers a tangible opportunity. The policy intention is that the scheme will help increase the pace of infrastructure delivery by attracting new sources of capital and expertise. The Government is also hoping that Great British Grid can play role in speeding up infrastructure delivery by bringing together public and private investment.

There will be no quick wins. Transmission build out has long lead times, typically around 14 years. This means that, to provide certainty to project developers, decisions about investment in the required infrastructure would need to be made well before generation or storage projects reach their own financial investment decisions. Many projects will, however, be taking decisions and incurring significant costs years in advance of certainty about whether or not the required infrastructure will be in place at the point of commercial operation.

Navigating the path to delivery

At the time of publication, the blueprint for the design of future system needs is not yet known and key decisions on how to deliver that design are yet to be made. Project developers and investors are, therefore, still navigating a significant amount of policy uncertainty. While the direction of travel towards a more centrally run, strategically aligned system is clear, until the SSEP and the myriad of levers under RNP which will deliver it in practice are finalised, many of the detailed but crucial variables will remain undefined. The sequencing, treatment of legacy assets and the interaction with Government low-carbon business model design all remain live, for example.

The market does, however, have visibility on the issues important to Government and the macro forces which may determine some of the outcomes. Shoring up the energy system from a resilience and security perspective are key objectives, as is lowering costs for consumers. The cost of grid build out and constraints on supply chain indicate that use of system charges will likely increase as a general rule (save where specific policy intervention allows). Project construction costs face similar challenges. These assumptions serve to provide some stability to the framework in which investment decisions are made. At this stage, investors, developers and network owners each need to determine how much of the SSEP pathway they can underwrite before the levers that implement it are finalised.

Anticipated timeline

These decisions will not be made simultaneously. The combination of RNP siting and investment levers is expected to be settled before the end of 2026, before the final design of the system it is meant to deliver is finalised given the SSEP is now anticipated in 2027. TNUoS reforms will follow later still and are set for implementation by 2029.

Please do get in touch with the contacts on this publication or your usual Linklaters contact for advice and information on the impact of spatial planning or RNP implementation on your business.

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