**Energy Price Formation**

- **Locational Pricing**
  - Supports locational investment signals for generators and consumers and addresses network bottlenecks, without costly redispach
  - Focus of reform: wholesale prices

- **Scarcity Pricing**
  - Allows efficient valuation of reserves that enable the least cost penetration of renewables, and limits need for costly interventions
  - Focus of reform: Imbalance pricing and balancing energy prices

- **Marginal Pricing**
  - Supports an efficient allocation of effort between markets
  - Focus of reform: imbalance pricing and balancing energy prices

- **Single Pricing**
  - Provides efficient signals to guide balancing behaviours and removes unhelpful signals to integrate vertically
  - Focus of reform: imbalance pricing and balancing energy prices

Source: RAP graphic