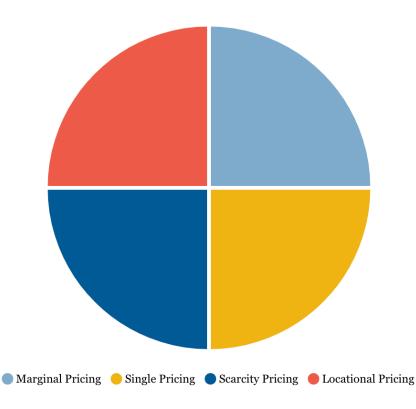# Energy Price Formation

Locational Pricing

- Supports locational investment signals for generators and consumers and addresses network bottlenecks, without costly redispatch
- 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

● Marginal Pricing ● Single Pricing ● Scarcity Pricing ● Locational Pricing

Source: RAP graphic