

The road to net zero electricity markets

Electricity Market Reform: Capacity Market &
Contracts for Difference

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Capacity Market

Our ambition is to build on our role providing strategic advice on the CM rules to BEIS, Ofgem and the Capacity Market Advisory Group (CMAG) while improving user experience and our capacity modelling capabilities.

Key Projects

Capacity Market Advisory Group

- Ofgem are establishing a Capacity Market Advisory Group (CMAG) to allow the rules change process to become more dynamic, transparent and able to adapt to changing market conditions.

Regular operational deadlines

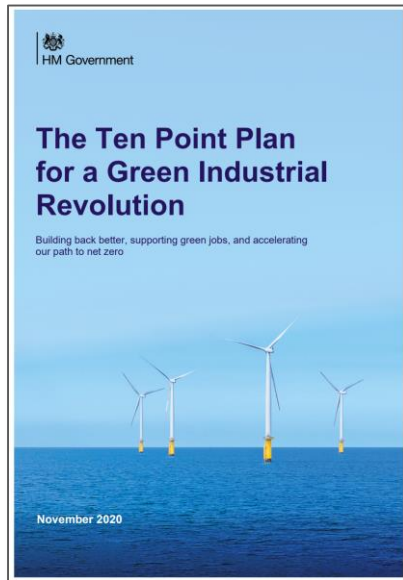
- Our role as EMR delivery body means that we manage a complex set of annual deliverables for the CM. These **regular operational deadlines** are important to remember for the year ahead and we will continue to challenge ourselves to improve participant experience of CM auctions.

The 2025 Landscape	
Operational Requirements	Market Participants
<ul style="list-style-type: none"> Peak system demand is expected to rise from the mid-2020s. Throughout the 2020s there will also be growth in new-build CfD capacity which is not eligible for participation in the CM. 	<ul style="list-style-type: none"> By 2025 coal and older, inefficient gas and diesel will not be in the CM due to emissions limits regulation. We expect to see continued growth in 'subsidy-free' renewables, DSR and storage participating in the auctions.

Our next 12 months					
Capacity Market Advisory group	CMAG development				
Regular operational deadlines		<ul style="list-style-type: none"> 2022 CM launch event 2021 Electricity Capacity Report published Annual rules update 			
	Apr	Jul	Oct	Jan	Apr
	2021			2022	

Decarbonisation and Net Zero

#R2NZ4 SLIDO code



Contracts for Difference (CfD)

To date:

3 Allocation rounds held

16 GW of new low carbon capacity

Looking ahead:

12GW in Allocation Round 4

40GW of offshore wind by 2030

Capacity Market (CM)

- ❖ Ensuring security of supply when intermittent generation may not be available and demand is high
- ❖ Increasingly removing carbon intensive technologies from the CM
- ❖ Facilitating participation of low carbon technologies (such as demand side response and renewables)

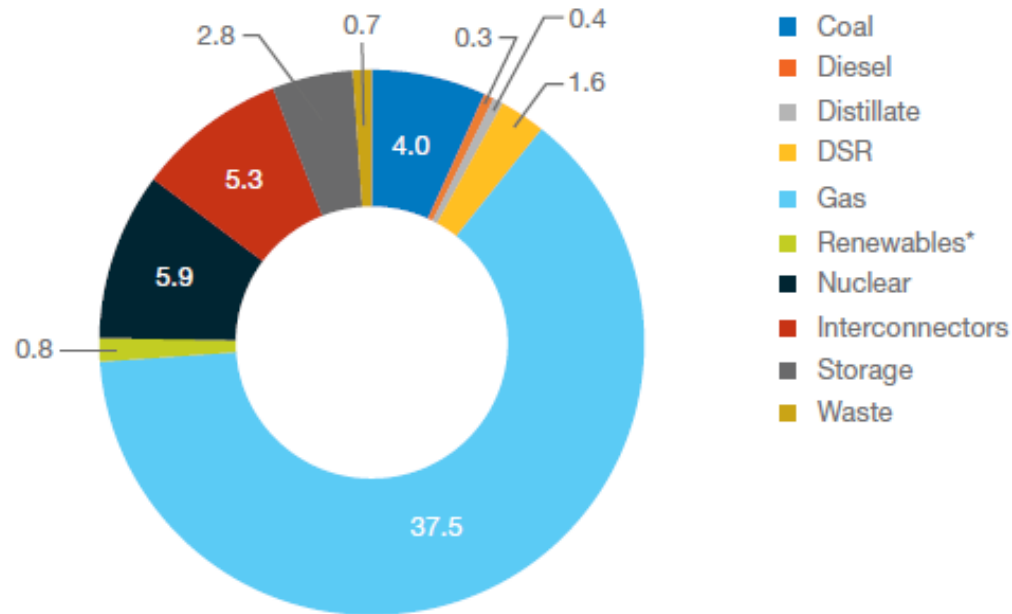
Role of the ESO

- ❖ To be a **trusted advisor** to Government, Ofgem and industry on how to achieve net zero
- ❖ To help **shape the strategy** for decarbonisation, incl. regarding market design, networks and operability
- ❖ To **drive the delivery** of EMR and other markets by ensuring processes and systems operate efficiently and by supporting markets participants

Security of supply

The ESO's modelling activities will become even more critical on the path from a system dominated by large-scale thermal generation to Net Zero

T-4 2020 Auction for DY2023/24 -Participating Technologies (GW)



Greater
dependence
on weather

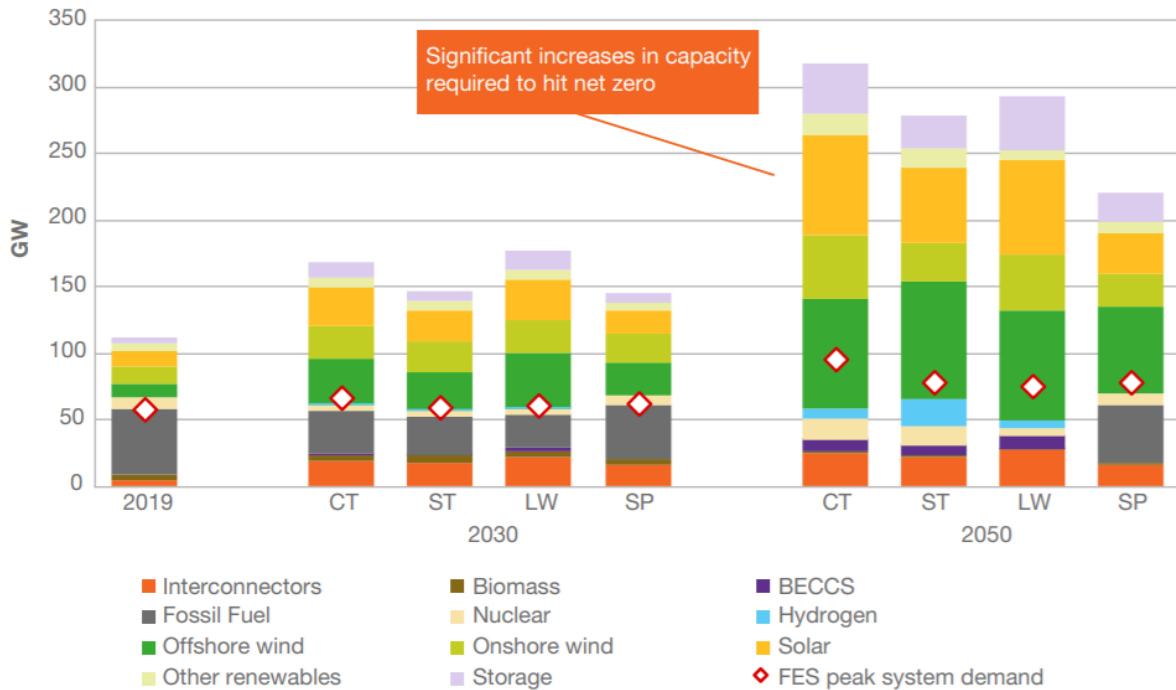
More
interconnection

Smaller
capacity
providers

New
technologies



Figure SV.23: Installed electricity generation capacity, plus storage and interconnection (no vehicle-to-grid or non-networked offshore wind)



Role of the ESO

- ❖ We **support the evolution** of EMR and other markets, e.g. to meet a potential doubling of demand in a net zero world.
- ❖ We are keen to **facilitate participation** of new technologies and providers in our markets, for example, by ensuring rules and processes are clear and as simple as possible.
- ❖ We seek to **coordinate and align markets**, e.g. recognising customers often rely participating in different markets (enabling revenue stacking etc.).
- ❖ We strive to **facilitate the efficient operation of markets**, for example, by increasing transparency and visibility of data.

#R2NZ4 SLIDO code

Customer Experience

Customer Centric EMR Portal

Single Market Platform

Digital Engagement

Data Analytics



Breakout sessions

Session A: **Capacity Market**

- Please stay in this Webex meeting

Session B: **Contracts for Difference**

- Please join the Microsoft Teams meeting via the link provided in the chat





BREAKOUT SESSION

Capacity Market: short & long term issues & ESO actions

Andrew Ford
Richard Griffiths
Andrew Dobbie

The webinar will start shortly.
Please make sure you are on mute and your camera is turned off.
Please note that the webinar will be recorded.

Capacity Market: Short & longer term issues and ESO actions

System	Customer	Data	Strategy
			
<ul style="list-style-type: none"> • Transition to New EMR Portal delivery over 2022 • Integrate to Single Market Platform & Shared Asset Register 	<ul style="list-style-type: none"> • Continuously improve our Customer Guidance • Process simplification & customer journey mapping • Support for existing and new entrants. • Modelling enhancements for existing and New Technology 	<ul style="list-style-type: none"> • Capacity Market Register & Data Analytics and Reporting solution. • Data validation, Application upload, data interfaces and tracking. 	<ul style="list-style-type: none"> • Implement BEIS & Ofgem Policy Consultation changes • Ofgem's proposed Capacity Market Advisory Group • Prepare for 10 year review (by 2024)

The road to net zero electricity markets: other events

Tuesday 23rd March

Wednesday 24th March

Thursday 25th March

10am

1pm

10am

1pm

10am

1pm

The road to net zero electricity markets launch

Market reform insights

Code change roadmap to 2025

Electricity Market Reform: Capacity Market and Contracts for Difference

Net zero market design

DSO markets

Are you interested in finding out about how the electricity market is changing and progressing to a zero carbon grid?

The Markets team in the ESO are running a series of interactive, online events in March, where you will be able to take part in focused sessions with subject matter experts on different aspect of electricity market change.

[Click here](#) to find out more and register for the events or access the recordings if you can't make the session.

An offshore wind farm is shown at sunset or sunrise. The sky is a mix of blue and orange, with the sun low on the horizon. Several wind turbines are visible, with the largest one in the foreground. Bright, glowing yellow lines radiate from the base of the turbines, suggesting energy being transmitted. The water is dark blue with some whitecaps.

#R2NZ4 SLIDO code

We'd love to hear what you thought of the event.

Please contact us via email:

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