

Power Responsive Steering Group

Note of Twenty Fourth Meeting

9th December 2021, 13:00-15:30 hrs

*This note was prepared by National Grid Electricity System Operator (ESO)
This meeting was hosted virtually.*

1. Welcome and introductions

The meeting Chair opened the discussion, held under the Chatham House rule.

This Steering Group meeting focused on whether the environmental impact from a Balancing Services Provider should contribute to flexibility market auctions, tenders, and control room decisions across ESO markets. The group then had an overview of the current Power Responsive Strategy and a discussion was held on how to refresh the strategy for 2022 and beyond considering future events strategies and areas of focus within the DSR community.

2. DSF Horizon Scan

BEIS covered the following current and upcoming policy activities:

- The Government [Net Zero Strategy](#) has now been published. One key area to note is the commitment made to decarbonise the electricity sector by 2035.
- The [Future System Operator Consultation](#) has now closed and responses are being reviewed along with internal analysis.
- [Energy Code Reform Consultation](#) has now closed and responses are being reviewed. Response to this consultation is likely to be published alongside the Future System Operator consultation.
- Call for evidence on how the [Capacity Market](#) can be aligned to progress net zero has now closed and BEIS are reviewing responses.
- Government have announced the development phase of the [flexibility innovation programme](#). This is a program to fund innovation to enable smart and flexible technologies to be rolled out across the sector. There was a market engagement exercise launched in October looking for views from the market on how the programme should be run and what it should focus on. The programme has funding of up to £65m pounds to kick start technologies where necessary.
- Digitalisation task force that was [launched](#) earlier this summer (partially sponsored by BEIS) are finalising their report and are looking to publish that to industry early 2022.

3. Discussion: Should the environmental impact from a Balancing Services Provider contribute to flexibility market auctions, tenders, and control room decisions across ESO markets?

A representative from National Grid ESO introduced the topic by providing an analysis of the past, present and future of carbon intensity from a whole system perspective and highlighted the need for change and the role that everyone has in the mission to decarbonise the network by 2030. This was then followed up by BEIS who gave an overview of the current work going on in the carbon and flexibility space.

BEIS are working towards the following:

- Establishing carbon monitoring and reporting between the ESO and DNO's to ensure coordinated methodologies.
- Regularly engaging with the ENA who covers carbon reporting as part of workstream 1a in project 7.
- Reviewing current carbon policies to identify and address where potential market distortion or gaps might be that encourage the use of high carbon electricity providers over low carbon

alternatives where they exist. As part of this, BEIS will review the ETS 20MW threshold in 2022.

- Exploring additional options for intervention to address the carbon intensity and to ensure the market framework is valuing the full range of low carbon flexibility that exists.
- Government will launch a call for evidence in the coming months which will explore the role of the UK ETS as a long-term market for greenhouse gas removal. Where appropriate, changes from this will be implemented by 2026.
- Following the Capacity Market call for evidence there is a proposal to link multiyear agreement lengths to emissions limits and changing the CM's design to ensure it can support investment in low carbon intense forms of capacity to bring those forwards in the market place.

Discussion then followed which covered the methodology behind monitoring the carbon intensity of balancing services and different asset types, issues with current market leavers that would affect control room decision making whilst balancing cost and carbon. The group also discussed the different approaches to incentivising a reduction in carbon output through other market mechanisms and how to balance carbon levels with cost and security of supply. BEIS were also keen to collaborate with the ESO to understand what more can be done by the ESO within its current license conditions to enable net zero and what additional changes may need to be made to enable the ESO to increase its efforts in this area.

4. Discussion: Power Responsive Strategy Refresh

The Power Responsive team gave an overview of the current strategy and its key purpose and goals along with suggestions for the year ahead strategy.

The group provided steer on the draft strategy for 2022 which included the following suggestions:

- Increase Industrial and Commercial engagement to understand their barriers and assist in tackling those.
- Step up the focus on DNO markets as they rapidly evolve.
- Provide tailored support via workshops to address specific issues for the DSR community.

Power Responsive have taken away these comments and will present the strategy at the next Steering Group meeting.