



Product Development & Engagement Strategy: Key topics to discuss with MAC

Product Development & Engagement Strategy

The purpose of this session will be to get the MAC's input on:

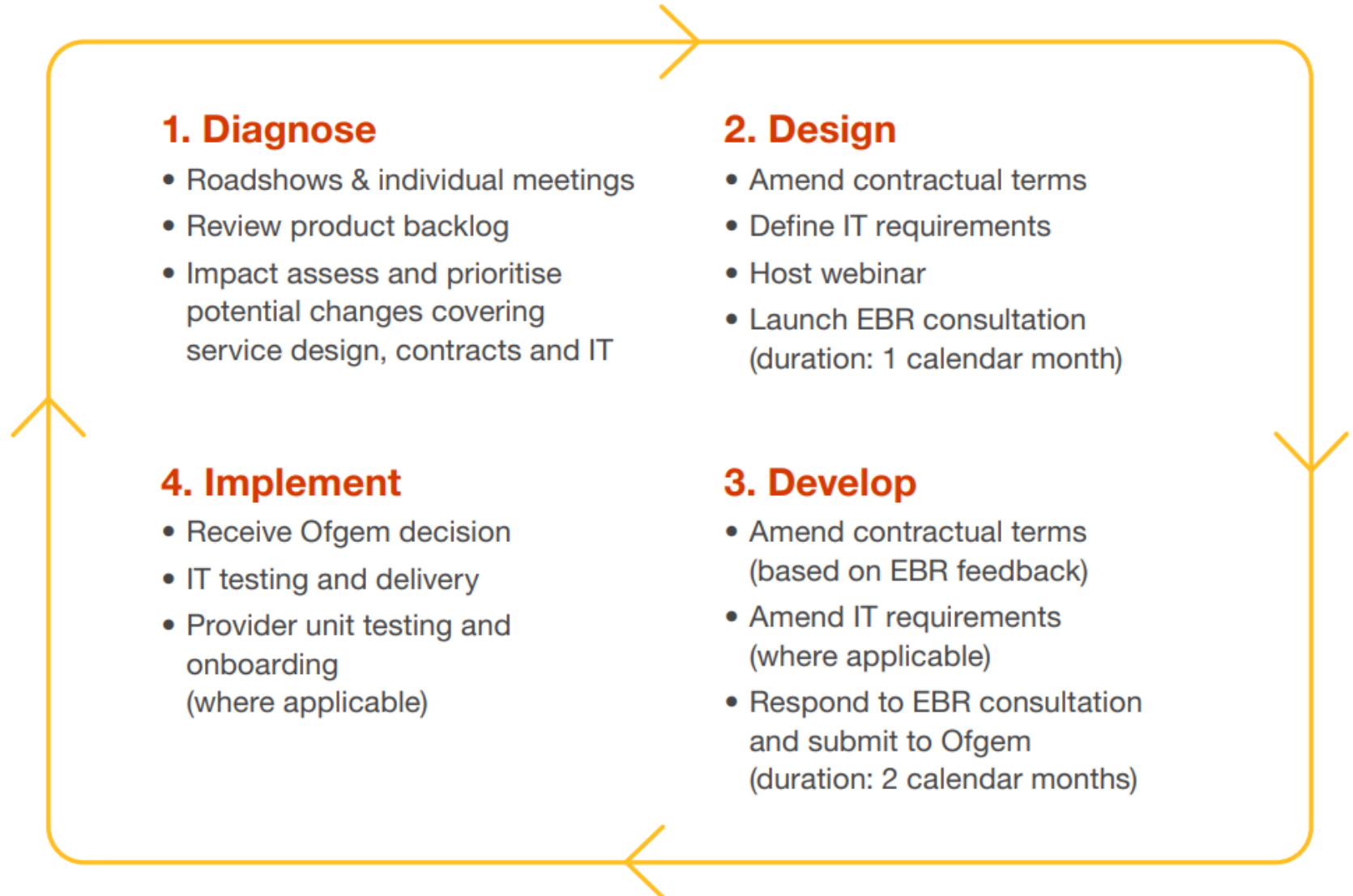
1. How we are improving our Product Development process, and
2. How we are changing out engagement strategy to align with effective product deployment

Questions for the MAC

- What lessons can the ESO learn from other markets with similar characteristics in terms of product development?
- Do the lengthy requirements for development (in GB Retained Law following EU Exit) help or hinder product design processes? (I.e. requirement for 1month consultation, 1month ESO response, 2month Ofgem decision timeline?)
 - Stakeholder engagement ✓
 - Full consideration of change by all parties ✓
 - Lack of efficiency/difficult to engage with by smaller parties ✗
 - Lack of speed/urgent process could lead to perverse market outcomes ✗

ASR Delivery Cycle – How do we implement a markets product?

- Service design and implementation requires continual engagement with market participants and internal stakeholders where opposing views are often held
- This necessitates a lengthy process and requirements may change in this time



Path to sign-off of EAC Consultation & Go live

Key Fundamental Design Elements (agreed Dec 2022)

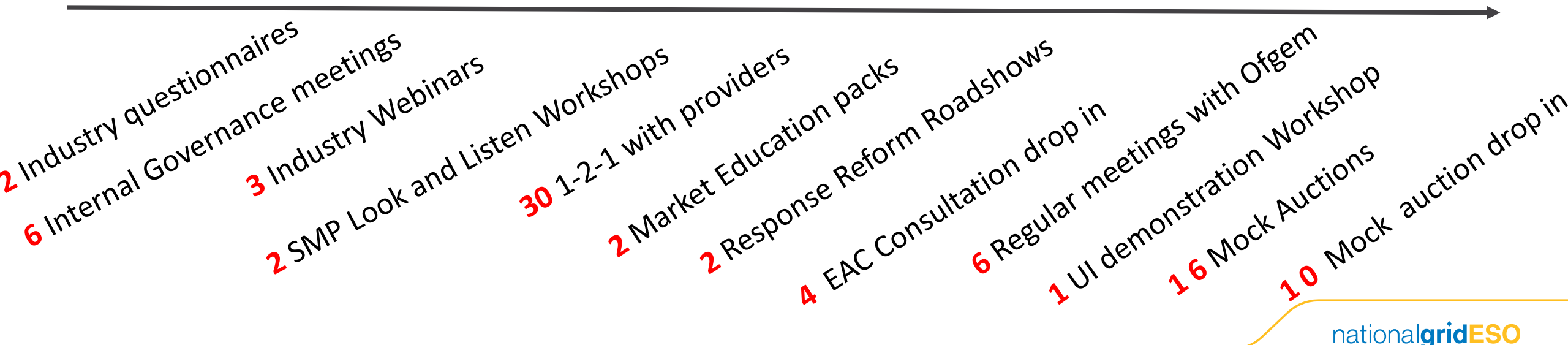
- Algorithm Objective Function
- Co-optimisation
- Stacking / Splitting
- Negative Pricing

Key Detail Design Elements (agreed Feb 2023)

- Detail Sell Order Design
- Detail Buy Order Design
- Clearing Rules (including Overholding)
- Detail Design of Co-optimisation across Response and Reserve
- Definition of Market Clearing Prices

EAC Consultation (Jun 2023)

- Procurement Rules
- Frequency Response Service Terms
- Provider Guidance
- A18 Mapping document and destination table



EAC Deep Dive

Platform launched on the 19th Oct first auction took place 2nd Nov.

Key highlights

- All 23 market participants were ready and participated at go live
- 16.9 -18GW of cleared volumes
- Prices ranging from -£7.80 to £18/MW
- Reduced clearing prices.
- Negative pricing and all auction functionality used.
- Positive feedback from industry on the EAC project delivery



Single market for response and reserve



Co-optimisation



Splitting



New sell order design



New clearing algorithm



Negative prices



Overholding