ESO

Markets Forum Q&A webinar

Q&A

- Seeing increases in batteries sent system instructions then legally submitting PNs also bought for constraints. Is this uneconomic and a breach of C28 licence?

Thanks for the question. If you have concerns on this, please get in touch with our Market Monitoring team at MarketReporting@nationalgrideso.com

- ESO has suggested Quick Reserve procurement 'up to 1400MW', but 'typically 300MW' - does that mean the cap is 1400MW, and expected average is 300MW?

As we launch the Quick Reserve (QR) market, we have indicated that we will be likely to procure ~300MW. This is similar to the volumes of Fast Reserve that we currently expect in our System Operating Plans.

Our expectation for the future is that the volumes could increase as system conditions change and we require more fast acting reserve – we have indicated in our Operability Strategy Report that the volumes of QR could reach 1400MW in the future.

- Can you talk about how this fits in with the upcoming flexibility strategy?

In our flex strategy, one of the workstreams is to develop a long-term vision for ESO services, that comes in two parts: model and forecast our requirements, and share our reform plan for ESO markets. One of the markets where we would like to develop a market strategy as soon as possible, is constraint management, and we have started a new project to design thermal constraint strategy in collaboration with industry.

- Does the recent publication of the second Review of Electricity Market Arrangements (REMA) consultation change any of your plans and will you be looking to make adjustments?

Delighted to see the publication this week – a huge milestone in the journey to delivering the right market design for net zero.

No, the consultation response doesn't change any of our plans. Since we started our Net Zero Market Reform prog almost three years ago, we have been knitting our short- and medium-term market strategy with our long-term vision. Everything we have currently planned is coherent and adaptable with the options in REMA.

In terms of the inefficiencies we see in dispatch, our markets roadmap is already delivering reforms that introduce more transparency and efficiency, such as dedicated markets for stability, voltage and balancing reserve. And we are also investigating wider co-optimisation of ancillary services with the wholesale market, building on the huge success of our Enduring Auction Capability (EAC).

For locational dispatch inefficiencies, ultimately we will need to see significant reform to the wholesale market. However, this will take some time, so in the meantime we are exploring shorter-term market solutions to partially mitigate the problem in the bridging period. We have recently launched a Constraints Collab Project to work with industry on this. The link for the project is here.

- How will the ESO market roadmap (new products etc) fit with the likely REMA outcome? Do you expect any significant changes to ancillary services as a result?

Review of Electricity Market Arrangements (REMA) does have the potential for significant change, and this could affect how our ancillary services are procured as well. How they could be affected is something we are continuously considering, as we develop our existing and new products.

However, the challenges of operating a decarbonised system are still the same and so we can focus on what we need to do to meet these challenges in the meantime, making those changes we know are no regrets whilst keeping a close eye on what is happening with REMA and thinking about how we might need to adjust, as/when decisions are made.

- Following the decision on the Local Constraint Market and compensation for aggregators-is there an update on when we might see a workshop or something on this?

We recognise the need to find a solution. We are currently in conversations with our 3rd party provider and Elexon to get a date when the IT solution can be firmed up.

Whilst we don't have a solid date, we would anticipate being able to update industry on the next steps around LCM compensation in April. We are also working with the ADE and Elexon who are looking to set up an issue group to look at the wider issues around Applicable Balancing Services Volume Data (ABSVD), inclusive of the issues with demand turn up which have been highlighted by the ADE.

- Q4 answer - If metering standards causing prohibitive cost why not apply changes for all users, irrespective of size, as this offers the lowest cost to consumers.

We are committed to removing barriers for all distributed flexible assets to participate in ESO markets. Assets <1MW have highlighted operational metering as a particular challenge. The Power Responsive team have been working with a range of providers in this area over the last 18 months to understand the capabilities of small scale flexible and consumer assets. ESO have opened the BM for 300MW with relaxed metering standards for these assets, whilst we carry out a review of operational metering.

- From a brief look at the roadmap, not sure that it includes a view of future volume requirements by product. This would be useful even if an estimate.

Thanks for this feedback – we are currently considering how we provide a view on the potential sizing or volume of market products. The Markets Roadmap is linked to the Operability Strategy Report, which does already outline what we think our system needs are going to be in the coming years. We appreciate this is not exactly volume requirements but it is a useful reference point if you're not already aware.

We know that this would be of interest to a number of industry parties, including investors, and will be considering how we can integrate some meaningful volume requirements into future markets roadmaps.

- When will OBP stop creating undo instructions on the back of poor MEL/MIL submissions? Currently increasing costs and creating unfair benefit to those assets.

Our balancing systems, including Open Balancing Platform (OBP), rely upon the submission of accurate data, which is critical to the effective operations of the power system and therefore, at all times, units should be reflecting their best expectation of output through physical notifications which are accurate and dynamic data which reflects how the unit can be operated.

OBP has been designed to follow the requirement set by the control room. There is no "memory" cached from run to run. So, it will build a profile of instructions based on the cheapest options available that meet the requirement from data submitted by providers.

We have issued guidance this year on requirements around submissions, including the new 30-min rule, and are continuing to work with participants in the balancing mechanism to around their submissions. We are also exploring ways to increase performance monitoring in this area with our Market Monitoring team.

However, should you believe that any market participant is using this to seek benefits rather than reflect their technical characteristics, please flag this to the ESO Market Monitoring team who will investigate.

- Are there major changes in procurement of balancing services, from last year?

Static Firm Frequency Response (FFR) moved from monthly to day ahead procurement. Dynamic FFR has been phased out. The volumes of Dynamic Containment, Dynamic Moderation and Dynamic Regulation have all increased significantly and have moved onto the Enduring Auction Capability (EAC) which has unlocked greater levels of liquidity through splitting and co-optimisation. Balancing Reserve has also gone live.

- When will all users, big and small, be able to use the ESO's Open Balancing Platform (in order to maximise competition & minimise costs to end consumers).

We began the transformation of our Balancing Systems with the recent launch of the Open Balancing Platform. Our industry co-created Balancing Roadmap reflects the transition of the different products and services used to balance our energy system right through to early 2027, when we expect to have completed the transition from our legacy systems. Our next Balancing Programme webinar is planned for 27th March where we will provide you an update on the latest plan.

- There's 300GW of contracted battery energy storage system (BESS) on the TEC Register, do ESO forecast the impact of a significant volume of BESS on the market? When will too much BESS be too much?

This links into both ESO's work on future connections and our energy scenario planning.

We are committed to being in a place to operate the system for Zero Carbon operation – and we know that BESS is a critical part of enabling that transition.

- Any idea on introducing an incentive akin to triads to avoid inefficient overcapacity of the network? Links to a flexibility strategy.

We are looking at identifying the best way to create an effective locational signal with industry. The signals workgroup under the TNUOS task force is directly looking at this amongst many other things. We anticipate that the signals workgroup should be bringing modifications forward over the coming months that will attempt to address this. Review of Electricity Market Arrangements (REMA) is also looking at long term solutions. There is also the constraints collaboration project looking at generational and demand constraints. On top of the Local Constraint Market (LCM), which is being trialled, it will also give us invaluable learning on a long-term constraint market strategy. There is much work going on in this space, so we need to ensure it all links together and the learnings are shared from one another.

- When will Dynamic Services (DX, DR, DC) for Non-BM participating Units migrate from ASDP to OPB? And when will ASDP be decommissioned? Is there a chance that those timelines may move?

Our current plan is to initiate the development of non-BM capabilities in Open Balancing Platform (OBP) from December 2024. We expect this transition will take place incrementally across the year until the end of 2025, at which point the entire non-BM capability should have migrated away from Ancillary Service Dispatch System (ASDP).

We are planning to discuss more on this at our next Balancing Programme webinar, due to take place on 27th March 2024. You can register here.

- Procurement question - In the Balancing Reserve contract terms for example - why do the ESO insist on an uncapped indemnity? This creates unknown risk for Providers.

Thanks for this question, we have some ongoing engagement with potential service providers who want to understand the possible impacts of the wording within our contracts that relates to liabilities and indemnities. This wording is common across many of our balancing services contracts after we took steps to standardise the contracts into their new formats. We will continue to work with these service providers and our legal teams to come to a resolution and share our findings and any next steps with industry.

- How do ESO intend to push the Interconnector Framework forward? Standardising agreements will be difficult, but transparency for how interconnectors are used seemed to be favourable in the feedback session. Would ESO consider no action on the agreements front and focus on transparency?

It's a great question, interconnectors are a continuous topic of discussion. We haven't had chance to download all the feedback we have received to give a definitive answer, but we certainly believe transparency is a quick win. Therefore, we will be focusing on that and will consider how best to position the rest with Ofgem and DESNZ as we understand making wholesale changes is extremely complicated when you have to consider the connecting TSO.

- What work is currently being done to improve/reform interconnectors? Will there be more resource dedicated to this?

Appropriate signals for dispatch of interconnectors are a core focus of the next phase of Review of Electricity Market Arrangements (REMA).

We believe that the current design of the wholesale market and Balancing Mechanism (BM) is experiencing several issues, including a lack of transparency. This is also the case for interconnectors. The work we are doing on scheduling and dispatch in general has a strong focus on transparency, replicability and auditability.

- It feels OBP should create a new instruction that adheres to the new MEL/MIL submission, rather than an extension on the previous instruction where the MEL/MIL cuts through the BOA, as this is where the undo instruction comes from. Without changing this OBP behaviour it will always be an issue.

Thanks for the feedback – Open Balancing Platform (OBP) will only issue a new instruction upon receiving a redeclared MEL/MIL. If you would like to discuss more on this topic please feel free to reach out to box.balancingprogramme@nationalgrideso.com

Alternatively, we'd recommend signing up for the updates for the Balancing Programme if you haven't already as these updates and workshops are a great opportunity to feed into the future development of this.

Our next Balancing programme webinar is planned for 27th March when we plan to provide you an update on the latest plan. You can register here.

- As per Cathy's answer just now on contracts uncapped indemnity - if changing this for some contracts, ESO need to do for all similar types of contracts for level playing field - if some parties have capped liability, and others uncapped, risk premium is different (higher for uncapped)

Waiting on the answer to this question. We will update the document once it has been confirmed.

- Why are we increasing flexibility in the Balancing Mechanism (BM) for assets with a capacity <1 MW only?

We have heard from providers who operate assets in this range and have the capability of providing flexibility to the energy system, that the current operational metering standards act as a financial prohibitive barrier to enter the market. There is also a disconnect between the current standards and other measurement standards that have dictated the specifications used to manufacture flexible assets in this range. Therefore, we understand these standards are limiting flexibility from assets in this range entering the market. We also recognise that we need to act fast to articulate our metering requirements clearly for the future energy system, as clear signals need to be sent to manufacturers. The wider independent external review into operational metering standards will be considering the full range of asset sizes, aiming to understand where metering standards do not align and what are the implications of flexibility from these technology types operating in the BM.

- What's the latest on getting new dynamic parameters for energy storage?

We initiated the process for a Grid Code modification last December, our request was approved by the panel and its now being run under GC0166. We are currently under the workgroup consultation phase of the process, which is due to run until the end of April. Last Thursday (7th March), we held our second workgroup,

where we had presentations from two providers on their views, challenges and proposal around the new parameters. The ESO also presented a proposal on how to potentially use Maximum Delivery Offers and Bids for within the gate. The teams had lots of productive conversations and minutes from this session will be available in our website in the next few days. There has been some pressure to complete the workgroups faster, but several parties wanted more time to consider the proposal because of the huge amount detail discussed in workgroup 2. We will continue to monitor this, as it is a key activity in our plan that will help unlock the way we utilise energy storage assets in our operations. The next workgroup is planned for 28th March. You can find details of this Grid Code mod here.

- ## When is the new Electricity Market Reform (EMR) Portal going live?

The EMR Portal has been live for registration since 22nd January and 660 companies registered representing ~97% of capacity under a live agreement.

We have completed internal end to end testing and are in the process of preparing for the testing environment for over 70 companies who have registered for customer familiarisation exercise. This exercise is scheduled for 4 weeks starting from 20th March. Our aspiration is to open the Portal in May following the customer testing.

We are conscious of a number of regulatory changes which were consulted by Ofgem and DESNZ with the industry later last year. We are reviewing different options of launching the Portal, including opening the Portal after the decisions are known and approved regulatory changes are implemented in the new Portal. We will continue to provide update to you through our regular newsletter and confirm the exact date as soon as possible.

- ## How is the CfD AR6 auction going to work in light of the announced budget?

The Government confirmed the budget for AR6 last week and also confirmed a number of parameters. Some of these are for the first time so we have received several queries on how the auction will work. Therefore, we will publish a video on how the CfD auction will work with the different parameters. Also, we are hosting a webinar next week to help industry get ready for their applications. Here is the link to the webinar if you haven't already registered - EMR Allocation Round 6 Applicant Readiness Webinar | Contracts for difference CfD (cfdallocationround.uk)

- ## What is the delivery timeline for Quick and Slow Reserve?

The delivery of Quick and Slow Reserve, which is subject to consultation and Ofgem approval, starts with the first phase of our Quick Reserve service planned for delivery Late Summer 2024. Followed by Slow Reserve and Phase 2 of our Quick Reserve service mid-2025. We welcome as much feedback as possible from market participants in shaping these services and will be holding engagement sessions as we proceed.

- ## How have you found the go-live for Balancing Reserve?

The first thing to say is that we're really pleased with the performance of the systems and processes involved in running the daily auction. We've had three successful Balancing Reserve (BR) auctions, the auction is clearing in a reasonable time and results are being published on the data portal and sent into the control room well before our market expectation time of 08:45. We're really pleased to be getting the systems and processes for the auction hitting the ground running from day 1.

We're very happy with the participating volumes in the auction with bids submitted from Large and Small BMUs across four different technology types.

We're also really excited about the learnings that will be coming out of Balancing Reserve. BR is our first firm Negative Reserve market, our first market to be procuring in 30-minute service windows and our first experience of stacking reserve and response contracts. There is so much to learn!

On the volumes side of the auction, we've seen three days of securing our 400MW Positive Balancing Reserve (PBR) procurement target but we're seeing shortfalls in the Negative Balancing Reserve (NBR) volumes. We'll be monitoring the results to see how to evolve our procurement strategy in the future.

On the prices side for PBR, the first couple of days saw quite a lot of price volatility with big swings in the clearing price in neighbouring settlement periods. This is normal as we and the market undertake some price discovery and participants try out their bidding strategies. We would expect to see this settle down over the coming days and we can start to understand the price signal on the Positive side of the market. For NBR, there is still a lot to learn about the market value and we're excited to dive into the bidding behaviour in more detail in the days to come.

- What is next for REMA (Review of Electricity Market Arrangements)?

We welcome the milestone publication from DESNZ this week – a huge step forward in the journey to delivering the right market design for net zero. Well done and thanks to the team at DESNZ for the huge work in getting this over the line.

We are happy to see that the option under consideration have been significantly narrowed, and that locational pricing (in the form of zonal) and reforms to dispatch are still on the table. We think there is widespread consensus that the status quo market design is not fit for net zero, and these two reforms represent foundational opportunities to get it right. Of course, any major reforms will involve disruption and risk, which is why it's vital that we get investment policy right, i.e. reforms to the Contracts for Difference and Capacity Market.

We are now a formal delivery partner in the REMA programme, leading on work around scheduling and dispatch, as well as any reforms to the balancing mechanism. We have a substantial programme of stakeholder engagement planned on this, which we are coordinating with DESNZ and Ofgem. We look forward to working with you on this over the coming months.

- How are you planning to share your Dispatch Case for Change?

On Tuesday, we held our first engagement with representatives from several Trade Bodies, in addition to other parts of industry such as the Power Exchanges. The slides from this event and a summary will soon be published on our website. We will continue to engage on this work, through Trade Bodies in the first instance, and will look to hold a follow-up event later in the Spring.

- What is the next step for 2028 flexibility markets strategy? How can we get involved?

We will be publishing a call for input in the coming months, followed by opportunity to engage with us directly to ask questions, brainstorm and provide feedback.

The flexibility roadmap will be published after that, with further opportunities to review and update it through engagement with our stakeholders.

- What is the ESO's position and current thinking on Energy Code Reform?

The ESO recognise that ECR is a fundamental element to the efficient delivery of net zero. We support the need to reform the code and governance processes around them.

Ofgem currently have a consultation out with a response due on the 23rd April, where they are asking for input on several ideas around code reconciliation and the creation of new strategic direction statements and advisory forums.

The ESO is supportive of what Ofgem have shared, in respect of code reconciliation. Ofgem have indicated combining the codes in to three: a commercial electricity code, a technical electricity code and a gas code. Our only thoughts to amend that thinking is around the STC code being considered a technical code. We believe it is more of a hybrid than an exclusive technical document, there is even a case to say it is more commercial than technical. We would recommend it is split across both or if it has to all go directly into one, then we think commercial would be a better fit.

We also believe the most important element is more about how code is efficiently governed through the Code Manager roles. The introduction of a strong Strategic Direction Statement (SDS) to set direction and ensure as an industry, focusing time and effort on the things that really matter for the GB energy system. We also need to consider how these Strategic Advisory Forums (SAF) will work in practice as it's crucial we have the right technical representation from across industry to ensure change proposals are well thought through and are delivering against the SDS.

Lastly, we note that a new consultation on the Code Manager roles came out on the 11th March from DESNZ and Ofgem, and we are working through that in more detail, but you can reach out to Jamie Webb for more details on all of it.