

Workshop 12<sup>th</sup> March 2024

# Scheduling and Dispatch Case for Change – Workshop Summary

## Agenda

1. Introduction
2. Challenge 1: Incentives
3. Challenge 2: Visibility and access
4. Challenge 3: Intertemporal issues
5. Conclusions
6. Next steps
7. List of attendees

## Workshop summary

### 1. Introduction & Workshop Objectives

ESO introduced the Scheduling and Dispatch work by explaining our understanding of dispatch arrangements as a combination of interlocking features governed by different parties, with ESO currently operating in a framework meant for a residual balancer. ESO sees a growing overlap between redispatch actions and wholesale market trading which can create conflicting price signals and limit transparency.

ESO explained that the purpose of the workshop was to test its initial position on the 'Case for Change' with a range of external stakeholders. The workshop content reflects ESO's experience as System Operator. The purpose of the interactive sessions was to ask attendees to identify the impacts of the issues raised on the wider market, considering Balancing Mechanism participants, wholesale market participants, balancing costs and bill payers.

ESO explained that its assessment of issues in current Dispatch arrangements and subsequent analysis of possible solutions will inform the Operability, Wholesale and Location workstream in DESNZ's REMA work.

### 2. Challenge 1: Incentives

The session introduced the first category of challenges, Incentives. It was highlighted that the key incentive for participants to schedule their assets is the System Imbalance Price (SIP). The single, nation-wide SIP leads to problems as it does not reflect network constraints or other system needs. This manifests itself via portfolio-balancing and NIV-chasing happening in the 'wrong' location, leading to higher than necessary balancing costs and misallocation of flexible resource. Similarly, the missing signals for the procurement of real time reserve capacity was identified as potentially obscuring the value of flexible assets.

Key topic discussed included:

- The roles and responsibilities of different parties. Participants debated whether it is the role of the wholesale market to deal with any system need beyond energy balancing. Some participants argued in favour of the wholesale market exclusively solving the balance of energy while others thought other approaches should be explored in more detail.
- Furthermore, a few attendees raised that the need for the wholesale market to deal with system needs could be avoided by building additional network infrastructure. This brought into the conversation the interactions between REMA, the CSNP and SSEP: participants raised that the case for REMA reforms needs to account for future investments in new network and generation assets.

Other comments included:

- The interacting nature of the challenges raised by ESO was a constant theme. For example, while Information Imbalance Charge would be an additional incentive compared with today, its impact would be mostly felt on the Visibility and Access challenges by penalising deviations from FPNs.

- Another issue raised was the lack of coordination between incentives at the transmission and distribution levels. Signals could be conflicting or duplicating if different entities are not aware of what the others are doing.
- A few stakeholders raised concerns about the impact of Ofgem's letter in November 2022<sup>1</sup> disincentivising generators from re-optimising their positions intraday.

### 3. **Challenge 2: Visibility and access**

The second challenge refers to the incomplete visibility the ESO has of system asset behaviours (non-BMUs don't submit Physical Notifications), as well as the significant and increasing changes in generator schedules (as visible in PNs) close to real time. This was followed by the challenge of forecasting behaviour of those non-visible assets and how they are not directly dispatchable by the SO. The final issue raised by ESO is that to the sequential procurement of balancing services creates uncertainty for both ESO and market participants in how to price services at different timeframes.

The discussion is summarised below:

- There was broad agreement that the lack of visibility and access to some system assets is a barrier for the market and ESO to take the right scheduling and dispatch decisions.
- There was agreement that ESO needs to be able to see the state of energy of energy-limited assets to use them efficiently, making reference to the ongoing Grid Code modification 166. Some participants suggested ESO should be able to lock-in the positions of these assets beyond the wall. These suggestions are also relevant to the intertemporal issues in the next section – again indicating the overlapping nature of challenges.
- Several people raised that the visibility problem is also a challenge for market participants who need to forecast what the demand is going to be to trade their positions accordingly.
- A few participants suggested that Capacity Market Notices (CMNs) are not being as helpful as they should be. This highlights the overlap between challenges as the current framework does not incentivise participants to account for system needs, requiring ESO to take proactive actions to fulfil its mandates.
- While the focus of the discussion was on operational issues around visibility, the role of liquidity for forward products was raised, as participants sometimes struggle to hedge their positions accurately as they find no liquidity for the granular products they seek to trade. This was raised in the context of late changes to PNs – often, there is no liquidity in the intraday market to trade earlier.

### 4. **Challenge 3: Intertemporal issues**

The last category of challenges refers to the role of intertemporal costs and constraints in the optimisation market participants and the ESO do on a continuous basis. To fulfil its mandate to minimise total costs and operate securely, the ESO makes scheduling decisions proactively ahead of gate closure, overlapping with the operation of the market. At this time, information is still non-firm, meaning decisions are made based on imperfect and incomplete data and market positions are still subject to change. Finally, these beyond-the-wall decisions cloud transparency for the market and may distort imbalance pricing.

Key discussion points were:

- There was agreement about the role of intertemporal issues in blurring the transparency of the market by linking multiple settlement periods together.
- It was suggested that the inefficiency of conflicting signals between the ESO and the market should attempt to be quantified to establish the materiality of these issues.
- Participants suggested that ESO could be more transparent and publish system requirements at various defined intervals ahead for better market signals.
- It was also suggested that ESO could outline the available alternatives when making a redispatch decision, to increase transparency and ascertain nature of the problems.
- The role of the Electricity Margin Notices (EMNs) was raised as something to be reviewed, as EMNs provide an intraday signal for margin but they're used infrequently.

---

<sup>1</sup> [Call for Input on options to address high balancing costs | Ofgem](#)

# ESO

## 5. Conclusions

- In general, there was agreement that there is a Case for Change; however, there was no broad agreement as to what changes are needed to resolve the identified issues.
- Some participants highlighted their preference for an evolutionary rather than radical approach.
- It was suggested that it would be beneficial to quantify the extent of these challenges and the impact that ongoing reforms would have in reducing the Case for Change.

## 6. Next Steps

Feedback from the session will be integrated into the final Case for Change report to be published in Spring.

ESO will welcome organisations sending us proposals for how the issues raised can be best addressed, and we will run a follow-up workshop presenting the spectrum of options we have identified likely in May.

In parallel, ESO has been assessing the interactions between energy and ancillary service procurement, looking at the pros and cons of more co-optimised procurement. In the coming months, we will be engaging with stakeholders on this project.

## 7. List of Invitees

For this first workshop we approached several Trade Associations to nominate at most three of their members to provide market participant input, in addition to sending their own representative. The purpose of this approach was to keep numbers low to maximise the speaking time for each attendee, given the technical nature of the discussion. The table below lists the companies that were invited to participate and the trade association who nominated them.

Company	Nominated by	Confirmed attendance
ADE	ADE	Y
Enel-X	ADE	Y
Flexitricity	ADE	Y
EON	ADE	Y
EUK	EUK	Y
EDF	EUK	Y
SSE	EUK	Y
Octopus	EUK	Y
Constantine Energy Storage	ESN	Y
Zenobe Energy	ESN	Y
Field Energy	ESN	Y
Centrica	REA	Y
Syzygy Consulting	REA	N
Siemens Energy	REA	N
Citizens Advice	Citizens Advice	Y
Elexon	Elexon	Y
Epex	Epex	Y
Nordpool	Nordpool	Y