

# ESO work on Scheduling and Dispatch Q&A for Stakeholders

## 1 What is Dispatch?

Scheduling and Dispatch are processes undertaken by System Operators and/or market participants to maintain the balance between electricity supply and demand, accounting for network constraints such as congestion and asset production constraints such as the State of Charge of a battery. 'Scheduling' refers to planning processes made by both market parties and System Operators in the hours before delivery. Dispatch describes how much units generate/consume in real-time. There is significant variation in how different countries around the world manage these processes and a wide range of designs for incentivising effective market behaviours and outcomes.

## 2 What work is ESO doing on Dispatch, and how does it relate to DESNZ' REMA programme?

Balancing the system in operational timeframes is more complex than when the current market was introduced: growing system constraints such as thermal congestion are not visible to the market, meaning ESO takes significant corrective action via the Balancing Mechanism (BM) and other services once the wholesale market has closed; the profile of generation and demand is more variable through the day; and a growing portion of the market, which is connected to the distribution network and does not participate in the BM, is 'invisible' to ESO.

In this context, ESO is taking larger interventions to maintain system security. These include:

1. Introducing new ancillary service markets: procuring ahead of time can reduce consumer exposure to higher balancing costs, but can introduce inefficiency due to forecast uncertainty
2. Using the Balancing Mechanism: ESO can manage uncertainty in future hours by taking proactive actions in the BM

We are concerned the growing contradiction between ESO's de facto role and the intended market framework is leading to significant challenges, including: unnecessarily high balancing costs; impact on competition due to reduced market transparency and predictability; and impact on investment due to perceived unfairness of decision-making in the BM.

DESNZ is continuing to assess options for market reform in its REMA programme. ESO is supporting DESNZ by leading the Dispatch workstream which includes options for BM Reform.

## 3 What work has ESO done so far, and where can I find relevant materials?

### 3.1 Case for Change

Alongside internal research, we have commissioned consultants AFRY to assess whether there is a 'Case for Change' that current scheduling and dispatch processes are not working as intended, and to explore the impact on market parties and balancing costs. AFRY have made some early observations which we are in the process of testing with wider industry in support of the case for change.

On March 12<sup>th</sup>, we held our first workshop with representatives from several Trade Bodies in addition to key institutional actors such as Citizens Advice, Elexon and the GB Power Exchanges. The workshop pre-read can be found on our [Net Zero Market Reform website](#).

# ESO

We will continue to engage with industry throughout the Spring on our Case for Change, both through ESO engagement and as part of DESNZ' wider REMA engagement. The purpose of this engagement is for stakeholders to share whether they agree with our diagnosis and to contribute other issues we may have missed. Following the workshops, we will publish AFRY's report and conclusions.

## 3.2 I didn't attend ESO's first 'Case for Change' workshop – where can I input my views on the 'Case for Change'?

We will continue to engage directly with stakeholders on our 'Case for Change', particularly through discussions facilitated by trade bodies and via our regular Markets Forum. We will integrate feedback from these discussions into our assessment of different Dispatch options. We will also share stakeholder views gathered at these events with DESNZ and Ofgem to support the wider REMA assessment.

If you would like to know how you can engage, please contact us at [box.Market.Strategy@nationalgrideso.com](mailto:box.Market.Strategy@nationalgrideso.com).

## 4 What work has ESO got planned on this topic, and how does ESO intend to gather industry and other stakeholder views?

### 4.1 Finalise Case for Change

We expect to publish AFRY's final report, alongside a summary of stakeholder feedback and additional ESO analysis at the end of April.

### 4.2 Canvassing of solutions

We are keen to hear from industry on possible solutions to the issues raised in our 'Case for Change'. We will be using the 'ESO-led' engagement sessions to ask for possible solutions, and stakeholders are also welcome to contact us at [box.Market.Strategy@nationalgrideso.com](mailto:box.Market.Strategy@nationalgrideso.com). In late May we plan to run workshops looking at the spectrum of possible reform options. We will share options we have identified and ask whether there are additional ideas we have missed. Given the tight timescales of the REMA programme, we do not expect to incorporate additional ideas into our thinking beyond July.

### 4.3 Options evaluation

Based on stakeholder feedback and our own internal analysis we will identify a set of Dispatch options and evaluate their effectiveness against our own objectives and the REMA assessment criteria. Particular consideration will be given to how options cohere with other reforms being considered in REMA such as renewable support mechanisms.

## 5 What is the status of ESO's evaluation of different Dispatch reform options in REMA?

As a member of the REMA Programme Board, ESO is developing analysis to support DESNZ' broader evaluation of different reforms. The ultimate decision for which Dispatch options are taken forward for recommendation will be taken by the REMA Programme which is led by DESNZ. ESO analysis on Dispatch will be shared with DESNZ' stakeholder forums. Any final decision will be made using DESNZ' REMA assessment criteria and governance process.

## 6 Will ESO be able to account for REMA consultation responses in its assessment of Dispatch?

As part of the wider REMA programme, ESO is working closely with the relevant DESNZ teams to ensure we can account for industry views in a timely way. We expect to hold our workshop for 'Canvassing Solutions' in late May following the REMA consultation close, at which point we can share the ideas put forward by industry and explain our assessment process.