ESO

Webinar May 24th 2024

Scheduling and Dispatch Case for Change – Webinar Summary

Agenda

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Workshop Summary

Introduction & Webinar 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 explained that the purpose of the webinar was: to present the key findings of AFRY's report, to get industry feedback on the extent to which the issues identified provide a Case for Change and to capture the impact of these challenges on market stakeholders. The webinar included interactive breakout rooms where participants were invited to share their thoughts. A summary of this feedback is presented below for each challenge.

Challenge 1: Incentives

Key points discussed:

- Numerous participants agreed the issues raised in AFRY's work were valid; however, stakeholders raised that stronger quantitative evidence is required to justify significant reform.
- It was put forward that any solution to the issues raised regarding incentives needs to be about market participants having more information whilst minimising gaming risks, coupled with incentives to reward the right behaviour.
- It was raised the importance to consider not just incentives for efficient dispatch in the power system but for cross-sector optimisations to enable whole system value and the role this could play in the integration of renewables – it was suggested that ESO consider what information do market participants with co-located assets have to make decisions and when does this become information available.
- A tension was observed, whereby it was suggested that imbalance may not be as a significant an incentive if most energy is sold ahead of time but that operating a renewables-based system means uncertainty close to delivery will be high and there will be a need for close-to-real-time adjustments.

Challenge 2: Visibility and access

Key points discussed:

- Participants expressed agreement with the need for both ESO and the market to work together to better share information and to improve visibility and transparency to enable efficient decision making by all parties. Some participants argued for stronger incentives and obligation for accurate information provision. Interconnectors were highlighted as one key market actor that could be a focus area on this.
- It was raised that industry have been calling for better ESO<>DSO sharing of distribution-level information for several years and therefore that ESO poor visibility of embedded asset behaviour is not new.
- It was suggested that the increasing close-to-real-time changes being observed by ESO should not necessarily be considered a problem, given that these changes can help to resolve energy imbalances. But there was an admission that this type of behaviour does occur and some optimisers target NIV chasing.
- Some participants criticised the current 'sequential procurement' approach to energy and ancillary services and that co-optimisation could be more efficient. Other stakeholders expressed concern that co-optimisation could conceal clear price signals for products.
- It was expressed that there is a trade-off between improved visibility for ESO and imposing costs on market participants which must be carefully considered: Information provision requirements disincentivise parties from becoming a BMU, which also allows assets more flexibility to NIV chase. Others argued for the need for consistency and equal application of the rules – this was particularly emphasised for visibility of the distribution network.
- It was also argued that some of these issues are longstanding and do not necessarily need to be bundled into dispatch, as this may not be the quickest and easiest solution.

Challenge 3: Intertemporal issues

Key points discussed:

- Some participants raised that there should be a clearer system where bids and offers that are accepted are visible in real-time which would provide market participants with more information on the system price to inform their decision making.
- Some participants put forward whether ESO could introduce option fees to secure flexibility within-day on a fair basis.
- It was argued that if market participants have more information they can anticipate where they are most needed to help the system, however, it is currently difficult to look across all markets (DA, intraday, balancing, etc) and make an optimal decision given the complexity of the market landscape.
- Most participants agreed with ESO that the smearing of costs across settlement periods as a result of beyond-the-wall actions and advance commitments by ESO which may distort imbalance pricing is an issue – participants stressed that these intertemporal issues make forecasting more difficult and can dampen or exacerbate scarcity pricing in the market.
- Several participants pointed out that the system imbalance price was designed to be sharper than the day-ahead price; however, the way that the comparison between the system-imbalance price and day-ahead price was presented suggested this was a problem.
- Some participants asked to what extent are intertemporal issues caused primarily by batteries and if so whether a more targeted reform is required. The issues with energy-limited assets not being able to fulfil contracted quantities of Balancing Reserve in multiple successive settlement periods were also highlighted.

General comments:

- A number of participants asked what the impact of incremental reforms ongoing elsewhere will have on addressing the identified issues since there needs to be a distinction between what can be done through incremental reforms and what significant reform is required through REMA.

- There is a need to distinguish between ESO balancing costs and where an issue actually impacts system costs i.e. any hypothesised reduction in costs from reform should differentiate between whole system cost reductions and costs which are transferred to other participants.
- Participants emphasised the need to consider the whole system and the impacts on all stakeholders, such as consumers and transmission owners, and not just on impacts to ESO.
- Participants also asked ESO to consider what the interactions are between dispatch and other issues being considered under REMA. Similarly, it was raised that ESO must consider the impact of transmission network build on any REMA reforms.
- In designing solutions, the new arrangements must be enduring such that the system will be able to handle trends of faster innovation, increasing decentralisation and decreasing asset size.

Conclusions

In general, there was agreement that there is a Case for Change; however, there was no consensus on what reforms, and more specifically what scale of reforms, are needed to address the issues identified. It was emphasised that there needs to be a robust evidence base of all alternative options to address the issues identified, particularly, to understand what can be achieved through incremental reform, and in turn, what significant wider market reform would be required through REMA. It was emphasised that there needs to be greater clarity on what the most substantial issues are that were presented and to prioritise these when identifying and designing solutions. However, it was recognised that there is a trade-off between the complexity and cost of transitioning to new market arrangements and the new benefits that would occur as a result.

Next Steps

ESO explained that the next phase of our work will be to identify possible solutions, this would be conducted by working with industry, within the REMA programme timescales, to identify options for reforming dispatch arrangements. Following the conclusion of this phase, we intend to host another public webinar to present the range of options that we have identified for industry feedback.