ESO

Scheduling and Dispatch Options Webinar Summary

17 July 2024

Introduction

This document summarises major points of feedback we received from industry stakeholders at our Scheduling and Dispatch Options Webinar held on 17 July 2024, discussing options for dispatch models to feed into the REMA programme and identifies where industry concerns raised the need for further analysis.

Engagement scope and purpose

The purpose of the session was to share with industry the process for establishing the different dispatch options to feed into the REMA programme and to outline the seven models ESO have identified and the hypothesised pros and cons of each model. The webinar gave industry the opportunity to discuss each model; to input on whether we had identified the right design choices; and to test whether we had correctly scoped the arguments for and against each model.

Key themes

Self-scheduling models

For National Model 1a, industry agreed with ESO about the higher imbalance risk for intermittent renewables from extending gate closure: market participants would not have clear visibility of trends in the market and so would lead to market parties pricing increased risk premiums. There was also some agreement on the implementation complexity of National 1b due to the introduction of 5-minute settlement periods; however, it was argued that granular settlement periods would benefit the demand side and enable faster moving flexible assets. For Zonal Model 1, there were concerns from industry about a potential negative impact on liquidity due to splitting the market into zones, and that zonal pricing could dilute information available to market participants to make scheduling decisions.

Hybrid scheduling models

There was uncertainty from participants on what the additional benefits from the hybrid model were. Implementation would be disruptive, yet it is not clear how the additional governance from formalising the SO role would improve transparency or produce better dispatch outcomes. There was agreement that overlap between the SO optimisation and market activity could create confusion in the market and distort signals. Numerous participants agreed with ESO that the SO would be optimising a moving situation, which is likely to result in inefficiencies; however, it was suggested that the hybrid model with zonal pricing would likely have less trading against the SO due to the improved incentives from the zonal price signals. A point raised not covered by ESO was that the formalisation and codification of the SO scheduling and dispatch process could limit the ability to introduce new tools and services quickly to deal with changing system needs.

Central scheduling models

A concern raised by multiple participants was the potential impact on the demand side, as it was suggested that the gross pool model would limit sending real time price signals to consumers. Similarly, there was concern for storage operators and flexibility providers given that greater control over asset performance was handed to the SO, as their business models depend on optimising asset use and revenue stacking. Stakeholders raised whether there was sufficient liquidity to move away from continuous intraday trading towards auctions, and that such a move may negatively impact longer-term price formation. There were consistent concerns about the centralised dispatch algorithm, including its vulnerability to small parameter changes, whether it could allow proper allocation of intertemporal costs and the need for uplift payments. These concerns were identified in our analysis, but we think further work is needed to understand the relative significance. An additional suggestion was that moving from physical to financial trading may negatively impact the PPA market, although it was not specified exactly how.

Conclusions

Overall, the feedback received suggests ESO had correctly identified the major hypothesised pros and cons of the dispatch models. Additional considerations were put forward by participants, such as the role of non-physical trading and the PPA market. There was disagreement on the relative impacts and weightings of the pros and cons, including how complex the models would be to implement and the efficacy of a centralised algorithm. It was suggested by numerous participants that quantitative analysis was needed to better understand the trade-offs, which we agree with and had already identified in our analysis. As such, we have taken steps to address this gap and we will keep industry informed on how this analysis progresses.