

Meeting Tuesday 16 July 2024

# Markets Advisory Council

## Agenda:

1. Chair's Opening Remarks (Steve Jennings)
2. NESO & Director of Markets Update (Matt Magill)
3. Whole Energy Market Strategy (Suki Ferris & Vicki Mustard)
4. Strategic Spatial Energy Planning (Alice Etheridge)
5. Scheduling & dispatch engagement (Izzie Sunnucks)

## Topics Discussed

### 1. Chair's Opening Remarks

Steve Jennings (SJ) welcomed MAC members to the third meeting of 2024 and new ESO guests, Vicki Mustard, Suki Ferris and Cathy Fraser.

### 2. Director of Markets Update (Matt Magill)

- Matt Magill (MM) signposted the publication of the latest Future Energy Scenarios (FES) publication which was issued on Monday 10<sup>th</sup> July. MM highlighted the webinars which were being conducted by the FES team during this week, spotlighting the focus on 2050 decarbonisation and some of the driving forces behind these pathways, including hydrogen.
- Matt also welcomed the announcement by DESNZ to establish 'Mission Control', led by Chris Stark. MM shared that ESO have been asked to provide advice on the potential pathways to 2030 decarbonisation. This was highlighted as a topic which could be of future interest to the MAC.
- Prompted by question from a MAC member, MM also confirmed that most NESO roles have been filled but recruitment will remain a key focus as the new organisation develops.

### 3. Whole Energy Market Strategy (Suki Ferris & Vicki Mustard)

- Suki Ferris (Whole Energy Market Strategy Manager) and Vicki Mustard (Head of Gas & Whole Energy Market Development) led a session to provide an update on ESO's work on Whole Energy Market Strategy (WEMS).
- Suki (SF) provided an overview of the WEMS scope across electricity, natural gas, hydrogen, heat, and carbon, as well as the process which has been established to structure this work.
- The group discussed how WEMS fits in with the new 2030 Clean Power commission. Vicki (VM) advised that as this work had commenced prior to Clean Power Plan it is separate but

should be coherent with the progress which is made on shorter-term 2030 ambitions. MAC members stressed that NESO have a great opportunity here to showcase true whole-system thinking and consider aspects much broader than just market design (e.g., whole system planning).

- Members also encouraged NESO to prioritise the tangible outputs and solutions sooner rather than later to avoid boiling the ocean. Hence, it was suggested that NESO should look at WEMS with a ‘deliverability’ perspective so to prioritise key actions and leave some of the more tangential issues until later.
- Another member highlighted the importance of considering cross-border and offshore impacts in terms of whole system flexibility, not just limiting to GB.
- SF also shared how ESO were identifying convergences and divergences between sets of market arrangements across the different vectors. These then informed risks and opportunities for development between different vectors (e.g., electricity and hydrogen). MAC members expressed how divergence shouldn’t always be viewed as a negative as there are many examples where there is sound rationale for this (e.g., settlement period duration for different markets, disaggregated code reform).
- MAC members provided feedback that ESO should build on this first phase of work and ask: “does this divergence really matter and why it is a problem” to be able to adequately inform future system/market design. It is important that ESO can present this information at the right level of detail to inform decision makers, rather than spending excessive time on issues which are too granular. This also extends to NESO’s operating model which needs to be set up to make coherent decisions at pace across these different vectors.

#### **4. Strategic Spatial Energy Planning (Alice Etheridge)**

- Alice Etheridge (AE), Head of Strategic Spatial Energy Planning at ESO, reminded MAC members of the presentation provided at the previous MAC which illustrated ESO’s Planning, Modelling & Strategy Cycle and the interactions between strategic energy planning and markets.
- AE provided an overview of ESO’s new responsibilities across Strategic Spatial Energy Plan (SSEP), Regional Strategic Energy Plan (RESP) and Centralised Strategic Network Plan (CSNP).
  - SSEP will provide recommendations based on the required capacities for different technologies across time and within zonal boundaries. It will include traditional planning considerations but also extend greater focus to environmental and societal criteria.
  - RESP is currently undergoing an Ofgem consultation process, and the aim is to join up local area energy planning with the more holistic national planning regime. This will include technical co-ordination and network analysis, as well as providing support to local authorities.
  - CSNP will provide recommendations on transmission infrastructure build and share a forward view of other system requirements as they are modelled.
- MAC members welcomed the introduction of RESP in particular and advised there will be councils/local authorities who will be wanting to implement local energy plans as a priority. Members stressed the importance that NESO must be prepared to support them from the outset and embrace a ‘learn by doing’ approach.
- The group also highlighted the benefits of joining up demand and generation planning (and the related market signals), particularly for the siting of large new demand users, such as

data centres and hydrogen electrolysis. Members discussed regional energy targets and the importance for co-ordination across RESP between different areas – e.g., region A might be a net exporter and region B might be a net importer.

- The group concluded the discussion by stating that these plans must be implementable and that any subsequent transition to market reform should be measured and well-communicated.

## **5. Scheduling & Dispatch Engagement (Izzie Sunnucks)**

- Lizzie Blaxland (LB) introduced herself as the new Head of REMA Market Design at ESO and set the scene on where ESO are in the process of establishing dispatch reform options as part of REMA. LB flagged the industry webinar which ESO are holding on Wednesday 17 July.
- Izzie Sunnucks (IS), Dispatch & Balancing Manager, summarised the categorisation of strawman models which were sent out as a pre-read to the group. These models span choices which strengthen incentives for market participants and features which increase System Operator control.
- A MAC member provided some challenge around ESO's illustration of the different models on the two axes representing incentives and control and agreed that an independent review of dispatch design choices would be helpful to increase the evidence base for any decisions which are taken.
- The group discussed how these different models would be assessed and IS confirmed that all options would be assessed with DESNZ using the REMA assessment criteria. DESNZ reaffirmed that any decisions taken on dispatch would be part of the REMA process which DESNZ will drive forward along with the guidance of ESO and Ofgem.

Meeting closed.