

ESO Markets Advisory Council: Annual Report 2023/4

1 Introduction

The Markets Advisory Council was established in March 2022. Its objectives include:

- Helping ESO set the strategic direction for market reform, both in ESO balancing services and for wider GB energy market reform
- Ensuring transparency, certainty and stakeholder confidence around our strategic priorities and decision-making
- Providing ESO with timely feedback of changing industry priorities and concerns, allowing us to proactively build these into our plans

The council is independently chaired by Steve Jennings. The council met 5 times in the period from March 2023 to Feb 2024. A list of members is provided in the Appendix. All pre-read materials, meeting slides and meeting summaries can be found on the ESO MAC [website](#).

2 Summary of meetings held

Meeting	Agenda	Summary
March 2023	<ol style="list-style-type: none"> 1. Introduction, actions from last meeting 2. ESO Markets Roadmap update 3. Reflections on winter 2022/3 4. Update on Net Zero Market Reform Phase 4 5. DESNZ/Ofgem update 6. Flexibility overview 	Link
May 2023	<ol style="list-style-type: none"> 1. Introduction, actions from last meeting 2. Accessing ESO balancing markets (Alastair Martin) 3. No regrets actions to speed up delivery of Net Zero power system 4. Considerations for implementation of nodal pricing 	Link
July 2023	<ol style="list-style-type: none"> 1. Introduction, actions from last meeting 2. Response to member presentation on accessing ESO balancing markets 3. Code Governance Reform 4. ESO/DSO coordination and governance 	Link
November 2023	<ol style="list-style-type: none"> 1. Introduction, actions from last meeting 2. Head of Markets update 3. Introduction to ESO Flexibility Strategy 4. Product development & engagement strategy 5. Net Zero Market Reform & REMA Update 	Link
February 2024	<ol style="list-style-type: none"> 1. Introduction, actions from last meeting 2. Director of Markets Update 3. Review of ESO Flexibility Strategy 4. Scheduling & dispatch case for change 5. ESO Whole Energy Market Strategy update 	Link

3 Value added

The MAC provided valuable feedback, challenge and advice in a number of key areas, notably:

3.1 Flexibility Strategy

During 2023/4 the MAC held three sessions focusing on the different aspects of flexibility and its importance to the future energy system. Several members presented their perspective on the opportunities and challenges for new types of flexible resources. This includes the different types of system 'flexibility', the challenges faced by new types of flexible resources in accessing ESO markets, and the role of flexibility in the wider energy system, including hydrogen.

These discussions helped ESO develop its thinking and it has established a new department to oversee integrating distributed flexible resource both into ESO markets and between ESO and non-ESO markets. The MAC congratulated ESO on the ambition of its mission statement and holistic approach. It also provided feedback emphasising the need for clear communication on how the Flexibility Strategy relates to other workstreams in ESO.

3.2 ESO Product Development Process

The MAC gave significant time to how ESO's product development process could be improved to be more sensitive to market participant needs. This was largely in response to instances of ESO proposals requiring correction at a late stage. Several discussions took place between relevant ESO Senior Managers and MAC members to explore how organisations manage Product Development processes and what is the appropriate framework for ESO. The discussions helped to reveal the significant trade-offs between meeting stakeholder/consumer needs for expedited development of new products against the need for service providers to be able to scrutinise proposals and service terms. This topic will continue to be explored by the MAC, with the aim to develop and launch a more transparent and collaborative process in the coming financial year.

3.3 Net Zero Market Reform & REMA

The MAC gave helpful insights to ESO before it published its Net Zero Market Reform Phase 4 report focusing on options for Investment Policy reform in REMA. Members recognised that ESO had spent significant time thinking through how it believes investment can be maintained alongside reform, for example by proposing 'low regrets' measures that can happen in the interim between implementation of reforms.

ESO also presented its early thinking on the need for reform to Scheduling & Dispatch. The MAC advised ESO to provide clear indications of how it sees the trade-offs between reform options to avoid stakeholder confusion or misinterpretation of its views. ESO expects to return to the MAC throughout 2024 to update members on its progress evaluating Dispatch options within REMA.

4 Code Governance Reform

ESO took its initial thinking on the need for substantive reform to the Code Governance Process to the MAC. The discussion highlighted that while code reform has been under discussion with Ofgem and government for some years there has been little movement. ESO is continuing to input into relevant consultations and will update the MAC in the coming months.

Looking ahead, we are keen to ensure the MAC continues to evolve around the changing industry landscape, especially with the establishment of the National Energy System Operator (NESO) in Summer 2024. ESO is taking on new roles for whole energy market strategy development and strategic energy planning, amongst others. At the final meeting for 2023/24, ESO shared its intention to continue to seek strategic industry input on these themes and to review the format, scope and membership of the MAC to ensure its continued relevance and value add. Any changes will be set out in the regular meeting summaries following each meeting.

5 Appendix

5.1 Membership

Steve Jennings (Chair)

Alina Bakhareva

David Carroll

Rachel Fletcher

Sotiris Georgiopoulos

Rob Gross

Sian Jones

Angus Macrae

Alastair Martin

Andrew McAleavey

Guy Newey

James Samworth

Rebecca Sedler

Paul Troughton

Simon Virley

Observers:

DESNZ

Ofgem

Previous members:

Mark Copley

Richard Hall