The road to net zero electricity markets
Electricity Market Reform: Capacity Market & Contracts for Difference

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Capacity Market

Our ambition is to build on our role providing strategic advice on the CM rules to BEIS, Ofgem and the Capacity Market Advisory Group (CMAG) while improving user experience and our capacity modelling capabilities.

Key Projects

Capacity Market Advisory Group

- Ofgem are establishing a Capacity Market Advisory Group (CMAG) to allow the rules change process to become more dynamic, transparent and able to adapt to changing market conditions.

Regular operational deadlines

- Our role as EMR delivery body means that we manage a complex set of annual deliverables for the CM. These regular operational deadlines are important to remember for the year ahead and we will continue to challenge ourselves to improve participant experience of CM auctions.

The 2025 Landscape

<table>
<thead>
<tr>
<th>Operational Requirements</th>
<th>Market Participants</th>
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<tbody>
<tr>
<td>• Peak system demand is expected to rise from the mid-2020s.</td>
<td>• By 2025 coal and older, inefficient gas and diesel will not be in the CM due to emissions limits regulation.</td>
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<td>• Throughout the 2020s there will also be growth in new-build CfD capacity which is not eligible for participation in the CM.</td>
<td>• We expect to see continued growth in ‘subsidy-free’ renewables, DSR and storage participating in the auctions.</td>
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Our next 12 months

<table>
<thead>
<tr>
<th>Capacity Market Advisory group</th>
<th>CMAG development</th>
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<tbody>
<tr>
<td>Regular operational deadlines</td>
<td></td>
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<tr>
<td>Apr 2021</td>
<td>2022 CM launch event</td>
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<tr>
<td>Jul 2021</td>
<td>2021 Electricity Capacity Report published</td>
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<tr>
<td>Oct 2021</td>
<td>Annual rules update</td>
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<tr>
<td>Jan 2022</td>
<td>2022 CM launch event</td>
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<tr>
<td>Apr 2022</td>
<td>2022 CM launch event</td>
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2021 Electricity Capacity Report published
Decarbonisation and Net Zero

Contracts for Difference (CfD)
To date:
- 3 Allocation rounds held
- 16 GW of new low carbon capacity

Looking ahead:
- 12GW in Allocation Round 4
- 40GW of offshore wind by 2030

Capacity Market (CM)
- Ensuring security of supply when intermittent generation may not be available and demand is high
- Increasingly removing carbon intensive technologies from the CM
- Facilitating participation of low carbon technologies (such as demand side response and renewables)

Role of the ESO
- To be a trusted advisor to Government, Ofgem and industry on how to achieve net zero
- To help shape the strategy for decarbonisation, incl. regarding market design, networks and operability
- To drive the delivery of EMR and other markets by ensuring processes and systems operate efficiently and by supporting markets participants

#R2NZ4 SLIDO code
Security of supply

The ESO’s modelling activities will become even more critical on the path from a system dominated by large-scale thermal generation to Net Zero.
Changes in technologies and business models

Role of the ESO

- We **support the evolution** of EMR and other markets, e.g. to meet a potential doubling of demand in a net zero world.

- We are keen to **facilitate participation** of new technologies and providers in our markets, for example, by ensuring rules and processes are clear and as simple as possible.

- We seek to **coordinate and align markets**, e.g. recognising customers often rely participating in different markets (enabling revenue stacking etc.).

- We strive to **facilitate the efficient operation of markets**, for example, by increasing transparency and visibility of data.
Customer Experience

Customer Centric EMR Portal
Single Market Platform
Digital Engagement
Data Analytics

#R2NZ4 SLIDO code
Breakout sessions

Session A: **Capacity Market**
- Please stay in this Webex meeting

Session B: **Contracts for Difference**
- Please join the Microsoft Teams meeting via the link provided in the chat

#R2NZ4 SLIDO code
The webinar will start shortly.

Please make sure you are on mute and your camera is turned off.

Please note that the webinar will be recorded.
## Capacity Market: Short & longer term issues and ESO actions

<table>
<thead>
<tr>
<th>System</th>
<th>Customer</th>
<th>Data</th>
<th>Strategy</th>
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<tbody>
<tr>
<td>• Transition to New EMR Portal delivery over 2022</td>
<td>• Continuously improve our Customer Guidance</td>
<td>• Capacity Market Register &amp; Data Analytics and Reporting solution.</td>
<td>• Implement BEIS &amp; Ofgem Policy Consultation changes</td>
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<tr>
<td>• Integrate to Single Market Platform &amp; Shared Asset Register</td>
<td>• Process simplification &amp; customer journey mapping</td>
<td>• Data validation, Application upload, data interfaces and tracking.</td>
<td>• Ofgem's proposed Capacity Market Advisory Group</td>
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<td></td>
<td>• Support for existing and new entrants.</td>
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<td>• Prepare for 10 year review (by 2024)</td>
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<td>• Modelling enhancements for existing and New Technology</td>
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Are you interested in finding out about how the electricity market is changing and progressing to a zero carbon grid?

The Markets team in the ESO are running a series of interactive, online events in March, where you will be able to take part in focused sessions with subject matter experts on different aspects of electricity market change.

Click here to find out more and register for the events or access the recordings if you can’t make the session.
We’d love to hear what you thought of the event.

Please contact us via email:

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