

Power Responsive Steering Group

Note of Twenty Second Meeting

30th April 2021, 13:00-15:30 hrs

*This note was prepared by National Grid Electricity System Operator (ESO)
This meeting was hosted virtually.*

1. Welcome and introductions

Colm Murphy (chair) opened the discussion, held under the Chatham House rule.

This Steering Group meeting focused on market reform up to 2050. The group explored Challenging Ideas' Re-costing Energy Project and the ESO's Net Zero Market Reform Project which look to create a clear strategy for markets that support a net zero future. This was then followed by an overview of Power Responsive priorities and activities for the next 12 months along with BEIS and Ofgem's horizon scans.

2. Presentation: Challenging Ideas' Re-costing Energy Project

To reach Net Zero we need to replace the trade-offs posed by the trilemma with a set of efficiency ambitions accelerating decarbonisation through optimisation. This requires a changed mind-set from how much can we produce, to how best can we use all the resources efficiently. At the heart of optimisation is a fully costed system that breaks down the current silos and throws a light on how carbon and costs are moved from one player to another with the customer and the planet picking up the pieces. Fully costing the whole system will be particularly important when decarbonising heat. Optimisation requires a new set of incentives, market pressures to unlock new assets and actions – delivering more from Less.

To view the presentation materials and documents click [here](#).

3. Presentation: ESO Net Zero Market Reform Project

GB electricity markets will need to undergo significant reform if we are to achieve Net Zero on time, and at a reasonable cost to GB consumers. We are already seeing conflicting and inefficient signals across wholesale, capacity, balancing and ancillary services markets, and these inefficiencies will accelerate as the system further decarbonises. There is a rapid convergence of electricity with other energy sectors (gas, hydrogen) as well as with heat and transport which creates a need to coordinate market reform to ensure each sector meets their own Net Zero milestones.

The ESO sits in a unique position at the heart of the industry and at the intersection of GB electricity markets where we are well-placed to undertake a whole-system and unbiased review of markets and assess potential solutions for Net Zero. Therefore, the ESO are undertaking a programme of research into market reform options for Net Zero over the coming year. We will be working closely with BEIS and Ofgem, as well as with industry stakeholders, to deliver market reform recommendations that are bold and achievable. We welcome the Steering Group's feedback and challenge on our scope of work and would like to understand how to involve the Group as we progress with this programme over the coming year.

More information on this piece of work can be found here: <https://www.nationalgrideso.com/industry-information/balancing-services/road-to-net-zero-electricity-markets/events>

4. DSF Horizon Scan

BEIS covered the following current and upcoming policy activities:

- DNO's published the first round of flexibility procurement statements in April to comply with the new licence condition.
- BEIS innovation funded: [Project TraDER](#) trials started in May.
- BEIS innovation funded: [Piclo exchange project](#) is currently trialling access to secondary local and national electricity markets.
- BEIS are developing the next iteration of the Smart Systems and Flexibility plan. Looking to publish next Spring.
- BEIS are exploring different approaches to monitoring the Smart Systems and Flexibility plan.
- Working on changes to the Capacity Market following a recent [consultation](#) on incremental changes to the Capacity Market. Call for evidence is to be expected later this year which will focus on how Capacity Market needs to change to be fit for net zero.
- Contracts for Difference market call for evidence finished in April which is now being reviewed.
- Heat and building strategy is being developed and is expected to be released later this year.
- Strategy is being developed for a hydrogen economy.

Ofgem covered the following current and upcoming activities:

- Plan to consult on a minded position in June 2021 for the access and forward-looking charging work.
- RIIO-2 price control is now in place.
- RIIO-1 performance assessment is still in progress.
- [ESO's end of year performance stakeholder event](#) is being hosted on the 8th 9:30-11:30 June 2021.

5. Power Responsive 2021 Overview and Update:

- Since the last Steering Group, Power Responsive have published the 2020 Annual Report which can be viewed [here](#).
- Power Responsive are participating in [Project TraDER](#).
- The ESO have a lot of work accelerating service developments which may create more uncertainty for providers which Power Responsive are looking to support on.
- Power Responsive will feed into and support the new suite of ESO products being delivered.
- There is an expectation that Power Responsive will be attending more physical events over the next 12 months with various partners.
- The team are considering being more service specific and hosting individual workshops for those services to allow providers to ask questions and here from subject matter experts.
- Power Responsive are looking to leverage online presence to help new providers.
- Looking to focus on various domestic technologies such as EV's.
- Will continue to assist an increase in participation from non-conventional providers in current and future markets.
- The 2021 Power Responsive Summer Event will be virtual and is expected to be hosted in July.
- The [Guide to DSR](#) has now been published which was created in collaboration with the Major Energy Users Council (MEUC).
- Team will continue to support Open Networks work.

4. Next Steering Group Date:

- 30th July 2021