

# Market design to enable the net zero transition



Breakout Speakers

# Market design to enable the Net Zero transition

AURORA

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In order for energy markets to function effectively, they need to deliver the “right energy, at the right time, in the right places”...

Right  
energy

























Right  
time

Right  
place

# This objective is currently met through a number of existing market frameworks ...

		Effectiveness today in influencing market wide...	
		Dispatch	Investment
Right energy	Carbon price		
	CfDs		
Right time	Wholesale market (SRMC pricing)		
	Balancing and ancillary markets		
	Capacity Market		
Right place	TNUoS		
	Balancing and ancillary markets		
	DNO constraint management		

# ... but as we move towards Net Zero, these frameworks are likely to become less effective in driving the investment we need

		Effectiveness today in influencing market wide...		Effectiveness in driving low carbon investment to deliver CB6 and Net Zero		Alternatives
		Dispatch	Investment			
Right energy	Carbon price				Effective initially if price is high enough; less effective as carbon emissions approach zero and gas sets price less often	Carbon CfDs
	CfDs				Challenges around negative pricing in high RES world = volume risk	Floor price model RAB
Right time	Wholesale market (SRMC pricing)				Less SMRC in Net Zero world. RES price cannibalisation	CfDs / Carbon CfDs Demand turn up / PPAs
	Balancing and ancillary markets				Reforms will open access to RES, but unlikely to be a major revenue stream and short duration. These markets alone may not stimulate investment in low carbon flexibility.	Longer-term ancillary contracts
	Capacity Market				Currently deploying unabated thermal – need to adapt to Net Zero world	Emissions limit in/outside CM Energy only market
Right place	TNUoS				Challenging if RES growth areas are network constrained	Locational pricing
	Balancing and ancillary markets				Not an efficient and transparent market to send locational signals	Locational pricing
	DNO constraint management				Challenging if RES growth areas are network constrained	Locational pricing

## Key questions for panel discussion:

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Will the current market design deliver investment in zero carbon generation in the required timescales?

How will we incentivise enough capacity and flexibility to ensure security of supply?

How can we ensure that the system is operated efficiently with sufficient grid infrastructure in place?

How can we ensure consumers are protected and energy remains affordable?

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Any further questions?

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