Conversation with Solea Energy on locational pricing

Who is Solea Energy?

We spoke with David Kozak, VP of Research, to hear his views on why he thinks implementation of locational marginal pricing works in other jurisdictions and why it is crucial for future GB markets.

Solea Energy trades power on the wholesale electricity market and optimizes solar and battery assets on behalf of developers in the US. On the trading side, our participation in the market increases liquidity and leads to price convergence at the nodal level. On the asset side, we help developers navigate the challenges of wholesale market interaction, increasing their revenue by strategic bidding and thereby furthering deployment of new assets. We also assist developers in choosing a site to place their battery based on power flow models and the locational prices.

Why is locational pricing important to your innovation? What about alternatives?

Locational pricing integrates the economics of supply and demand with the physics of power flow. Without it, there is no clarity for how prices are set - but the physics of power flow doesn't change, so someone is eating the cost somewhere. This inefficiency makes the current pricing mechanism untenable, and a zonal market unattractive. We have a strong preference for nodal pricing.

Is the current market environment in Great Britain attractive?

We are currently in a holding pattern in our plans to enter the markets of Great Britain. If there are changes in REMA that move toward a nodal market we will enter. If REMA moves to a zonal market structure, we will likely enter but at low priority. But fundamentally, if the market is unchanged and GB sticks with a single national wholesale price...we will not enter.

Where can people find out more about Solea Energy?

Visit our website at: https://soleaenergy.com/
Or you can find me on LinkedIn: https://www.linkedin.com/in/dkozak06/