

Monthly Monitoring Meeting

Thursday 28th June 2018

Ofgem Offices, Conference Suite 10SC

AGENDA

Ref'	~Time	Title	Owner	Resolution required?
1	N/A	Actions from previous meeting	<i>Technical Secretary</i>	
2	60 min	Comments from the Authority for previous reporting month <ul style="list-style-type: none"> • Report Structure • Principles 1-7 • Metrics 1-5,9,14,15 • Data • Hotspots 	<i>Senior Economist</i>	
3	60 min	Monthly Reporting Performance Measure Overview & response to Comments from Authority <ul style="list-style-type: none"> • Report Structure • Principles 1-7 • Metrics 1-5,9,14,15 • Data • Hotspots 	<i>ESO Regulation Team</i>	
4	15 min	Update on progress against Plan		
5	15 min	Agree actions for next month	<i>Technical Secretary</i>	
6	5 min	Summarise Authority's comments on reporting month's evidence/ performance & next steps	<i>Senior Economist</i>	
7	5 min	What is Ofgem's thinking on how long the roles and principles will be used to describe the activity of the SO? (this is to understand whether we should use them to structure the RIIO2 plan) Are they happy with us to discuss with stakeholders how they should evolve over time?	<i>All</i>	

Meeting record

Monthly Monitoring Meeting

Meeting number 2

Date: 28th June

Present: Ofgem:

Apologies:

National Grid:

Time: 10-12

Venue/format:

Ofgem Offices, Conference
Suite 10SC

ACTIONS

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
1.	1.	30/5/18	15/6/18	HK	Agenda to be updated to reflect new item for discussion	Closed
1.	2.	30/5/18	15/6/18	JD	Formal write up of the feedback received to the first month report	Closed
1.	3.	30/5/18	15/6/18	SB	Providing any further thoughts on how the summaries per principle could be written to provide clear evidence	Closed
1.	4.	30/5/18	15/6/18	SB	Dates to be shared for monthly meetings, and tentative dates for half year and end of year panel dates	Closed
1.	5.	30/5/18	15/6/18	SB	Lines to take/ Summary of process for panel events	Open
2.	6.	28/6/18	27/7/18	HK	ESO look at wording in the charging circular email and more clearly explain the basis of the incentive forecast	Open
2.	7.	28/6/18	27/7/18	CC	Detailed articulation of BSUoS billing metric and how it relates to CUSC	Open
2.	8.	28/6/18	27/7/18	SB	Share guidance on how the roles and principles under 18-21 incentives can be used and shaped as part of the RII02 Business Planning Activities	Open
2.	9.					

MAIN ITEMS OF INTEREST

Performance overview

Ofgem articulated their overarching comments on the May Report as follows:

- Ofgem welcomed the changes made to the format of the monthly report which clearly splits out which activities the ESO believes are baseline or exceeding. Ofgem felt some of the activity included in the 'exceeding' descriptions seemed more like baseline activity. Ofgem also thought that some of the descriptions in the report seemed more like ambitions than tangible examples of actions taken that month. Ofgem believed the ESO might be able to put forward a stronger case to the Panel if it focussed on tangible examples of activities that clearly fall into the exceeding category. Ofgem noted that the incentive evaluation is based on a whole year of evidence, and that as it was still early on in the year, it would be understandable if there was relatively less evidence of 'exceeding expectations' at this stage.
- Ofgem noted there is still some scope for improvement to demonstrate the ESO really understand the feedback provided in the Formal Opinion. For example, metrics which the Ofgem had previously commented on as being insufficient to demonstrate outperformance were included as evidence of 'exceeding expectations'. The ESO felt that certain metrics or activities require a better articulation of why they believe performance goes further than business as usual. The ESO shared that they will be re-launching the long-term vision and deliverables for Principles 4, 5 and 6 as part of the Quarter 1 Report in July and also an update to Principle 1 and 2 in response to the Formal Opinion and other stakeholder feedback. Hopefully this shows the ESO are really listening to Ofgem and stakeholders and taking on board this feedback to improve plans in the interest of consumers. This was welcomed by Ofgem.
- Ofgem asked a question about how a £15million incentive reward, which is billed to BSUoS payers, was forecast. (National Grid BSUoS Charging Circular 25th May 2018 ¹). In particular, whether this forecast was based on the delivery of the contents of the Forward currently, or whether there was some in built ambition to go further than the Forward Plan. Ofgem want it to be clear to stakeholders that this number is based on a subjective assessment by ESO only and was not agreed or discussed with the regulator. The ESO will clarify this in their next report.
- The ESO shared that BSUoS stakeholders have told us that they do not like large volatility in BSUoS charges. To this end, we will refine forecasts of incentive revenue as the year progresses. The decision on incentive revenue will be made by Ofgem after final reconciliation of 2018-19 BSUoS. It was noted that therefore it is likely a request from the ESO for licence change to allow BSUoS charges due to incentive performance to move into the next financial year.

Principle 1

- Ofgem and ESO discussed Formal Opinion feedback and that some of the feedback from the opinion under Principle 1 has not been fully reflected yet.

¹ www.nationalgrid.com/sites/default/files/documents/BSUoS%20Charging%20Circular%20-%202018-19%20ESO%20Incentive%20Recovery.pdf

- For example, in its Formal Opinion, Ofgem had assessed that Metric 4 did not contain sufficient ambition. Ofgem noted that for forecasting there is a high bar of improvement already expected within the RIIO and NIA funding. The ESO will provide an update to metric 4 as part of their next report.
- Discussed how to demonstrate performance in this Principle and Ofgem mentioned this is very dependent on stakeholders' feedback and without this element it is difficult to conclude anything too strongly. ESO acknowledged the importance of stakeholder feedback. It also highlighted there is additional some measurable evidence on whether information that is comprehensive, accurate and user-friendly e.g. how many clicks which is coupled with the stakeholder feedback for the whole principle. Discussed briefly the strategy for gathering this at the Operational Forum.

Principle 2

- Ofgem used the example of demand forecasting and the ESO's actions taken to balance the system for the Royal Wedding to highlight an area which seemed more like baseline activity than exceeding. Ofgem noted that the ESO was already expected to balance the system efficiently and that this included anticipating periods of atypical demand and changing its balancing strategy accordingly. Ofgem felt that including this type of example as exceeding could potentially undermine other examples which had a stronger case for being above baseline expectations (e.g. working with the DNOs to run a tender process to change relay settings). Ofgem noted, that if the ESO felt had done something new and innovative to balance the system more efficiently during this kind of event, then this innovation should be clearly explained.
- Ofgem asked the ESO if it had any views on the unusual imbalance prices seen in the market over the summer. A number of market participants had raised concerns to Ofgem about these prices and the impact of the ESO's balancing strategy could be having. Ofgem noted that greater transparency around the ESO's non-BM STOR actions (and BSAD actions more generally) could help address part of the issue. Ofgem challenged the ESO to think about whether anything could be done to create more transparency in the short run before Project Terre might be implemented. Ofgem also noted that a clearer explanation of the ESO's balancing strategy during these periods could go some way to addressing market participant concerns.

Principle 3

- There was no detailed discussion around the specific content of this principle, but Ofgem reiterated its overarching points, particularly in relation to focussing on tangible examples.

Principle 4

- Discussed the Formal Opinion feedback, specifically the need for the ESO to show a more strategic role. Ofgem noted that the feedback it had received on the ESO's performance in relation to the administration of the Charing Futures Forum had been good, but that this alone was not enough to demonstrate outperformance of this principle. The relaunch of Principle 4 for this Principle was briefly discussed, including an update on long term vision, outputs and deliverables.
- Ofgem noted a comment from stakeholders around the prioritisation of the code modifications for the CUSC. The ESO felt that it had a good reasons for its approach, in particular that it had recommended a prioritising approach should be adopted by the CUSC Panel in order to best encourage industry input and discussion around key priorities. The ESO questioned whether it would be useful to include examples where stakeholders had raised concerns and include the

ESO's response to these concerns in its reports. Ofgem agreed that this would be useful.

- Ofgem also noted more generally that good performance against this principle would rely on strong coordination and collaboration with other stakeholders across all codes, not just ESO administrated codes.

Principle 5

- Ofgem reiterated its overarching comments, including that it would be good to see more tangible examples of the ESO facilitating whole system outcomes
- The ESO noted that this principle would be relaunched in the quarter 1 report.
- Noted that the ESO will be launching a whole system strategy in July which should provide a good overview about the need for a whole system view and the common principles that need to be taken across the whole industry to deliver efficient outcomes and describe how the ESO role is changing in this context and the actions that the ESO will take to 'facilitate whole system outcomes' in 2018/19.

Principle 6

- Ofgem noted its overarching comments.
- The ESO noted that this principle would be relaunched in the quarter 1 report

Principle 7

- No comments

AOB

- ESO advised that alongside our Quarter 1 report we will launch a consultation on our approach to determining and articulating consumer value. We will set out our methodology to evaluating how we contribute to the delivery of within-year, and future, consumer value. Following analysis of consultation responses, we will publish our Consumer Value methodologies and later in the year will use them to report upon the value we are delivering and unlocking as a result of actions taken as part of our Forward Plan for FY18/19.
- Further set out that the Stakeholder engagement strategy will be published alongside the Quarter 1 report in July again as a consultation. This will be published as two documents, a high level strategy on the engagement objectives and aligning when we are doing events. A second document will contain the details of how feedback will be captured and the questions that will be asked.
- The ESO shared our intent to move the Hotspots currently in Forward Plan Report to MBSS. No firm date but aiming currently for the next monthly report. Agreement on both sides that the detail level seems right to sit in MBSS. It will be published on the 15th WD.

Appendix 1 – Timetable

1. Annual Requirements

- Monthly
 - 15th working day of M+1 keeps cost basis historic
 - Meeting 20th working day of M+1
- Quarterly
 - 15th working day of M+1 following Q end (Jul, Oct, Jan)
- Half Year Report
 - 15th working day in October (M+1 after half year completed)
- Year End- Ofgem's Proposal
 - 7th May -consultation & draft licence (5 wks after year end)

2018	2018	2018	2018	2018	2018	2018	2018	2018	2019	2019	2019	2019	2019
Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
	M	M	M	M	M	M	M	M	M	M	M	M	
			Q						Q				
						1/2YR							FYR

2. Monthly requirements

Date	Action	Owner	Note
15 th Working Day	Monthly report submission date	ESO	
No later than 5 Working Days before meeting	Provide the Chair with meeting papers	ESO	
20 th Working Day	Monthly Monitoring Meeting	Technical Secretary	
25 th Working Day	Minutes from meeting submitted	ESO	
End of Month	Chair to approve minutes from meeting	Chair	
2 nd Working Day after approval of the minutes	Publication of meeting minutes	Technical Secretary	

3. 2018-2019 Reporting & Meeting Dates

Month	Report Published	Ofgem Meeting	Report Type
	(15 th WD)	(20 th WD)	
May	22/05/2018	30/05/2018	
June	21/06/2018	28/06/2018	
July	20/07/2018	27/07/2018	Q1 Report
August	21/08/2018	29/08/2018	
September	21/09/2018	28/09/2018	
October	19/10/2018	26/10/2018	Half Year Report
November	21/11/2018	28/11/2018	
December	21/12/2018	02/01/2019	

January	22/01/2019	29/01/2019	Q3 Report
February	21/02/2019	28/02/2019	
March	21/03/2019	28/03/2019	
April	23/04/2019	30/04/2019	
May	7/5/2019		End of Year Report