

## Monthly Monitoring Meeting

Friday 27<sup>th</sup> Sept 10:00 – 12:00

Ofgem Office South Colonnade and Teleconference

### AGENDA

| <b>Ref</b> | <b>Time</b> | <b>Title</b>                                                                                                          | <b>Owner</b> |
|------------|-------------|-----------------------------------------------------------------------------------------------------------------------|--------------|
| 1          | 10 min      | <b>SME slot - August balancing costs</b>                                                                              | <i>ESO</i>   |
| 2          | 10 min      | <b>SME slot – Forecasting Accuracy</b>                                                                                | <i>ESO</i>   |
| 3          | 10 min      | <b>SME slot – BM Wider Access Guidance document</b>                                                                   | <i>ESO</i>   |
| 4          | 15 min      | <b>SME slot – Friday 9<sup>th</sup> August power cut</b>                                                              | <i>ESO</i>   |
| 5          | 5 min       | <b>Review actions</b>                                                                                                 | <i>ESO</i>   |
| 6          | 10 min      | <b>ESO to highlight any particular notable points from the published report</b>                                       | <i>ESO</i>   |
| 7          | 10 min      | <b>ESO to answer any questions which Ofgem have sent prior to the meeting regarding the recently published report</b> | <i>ESO</i>   |
| 8          | 10 min      | <b>ESO to take other questions on the published report.</b>                                                           | <i>All</i>   |
| 9          | 10 min      | <b>Planning for mid-year reporting and Panel event structure.</b>                                                     | <i>All</i>   |
| 10         | 5 min       | <b>AOB</b>                                                                                                            | <i>All</i>   |

## Meeting record

### Monthly Monitoring Meeting

**Date:** 27<sup>th</sup> Sept 2019

**Time:** 10:00 – 12:00

**Venue/format:** Ofgem Offices  
London

Teleconference

#### ACTIONS

| Meeting No. | Action No. | Date Raised          | Target Date              | Resp.         | Description                                                           | Status |
|-------------|------------|----------------------|--------------------------|---------------|-----------------------------------------------------------------------|--------|
| 17          | 40         | 27 <sup>th</sup> Sep | 11 <sup>th</sup> October | Ofgem         | Provide agenda for panel event                                        | Open   |
| 17          | 41         | 27 <sup>h</sup> Sep  | 11 <sup>th</sup> October | Ofgem         | Ofgem to share stakeholder responses for Call for Evidence            | Open   |
| 17          | 42         | 27 <sup>h</sup> Sep  | 1 <sup>st</sup> November | ESO/<br>Ofgem | Advance phone call to discuss logistics and attendees for panel event | Open   |

#### MAIN ITEMS OF INTEREST

##### 1. SME slot – August Balancing costs

The Electricity System Operator (ESO) presenter gave commentary on the £105.3m outturn against £87.4m benchmark.

Key points: Costs have increased across all categories except reactive, but proportionally constraints have increased the most.

Scottish Wind output was higher in August than July. High levels of wind and solar meant a large number of actions were required to deal with rate of change of frequency (RoCoF), voltage levels and thermal constraints.

The Western Link tripped on the 30th August and only returned at 1/3 availability until 22:00 04/09. These 2 days were the highest cost days of the month.

At the end of July work began to reinforce the network in the South East – work that is accounted for in the forward plan. Whilst this work is ongoing, additional cost and work is required to manage network flows. Depending on whether the interconnectors are flowing in or out, we are susceptible to either ESTEX constraints or SEIMP constraints. One way in which we can manage this is through trading on the interconnectors. ESO normally trade on the interconnectors for RoCoF and margin, but there was a large step change in the volume traded for August once the work got underway and trading around these constraints increased.

The 9<sup>th</sup> August was a fairly expensive day on the back on high winds and general bad weather. However, balancing costs were not out of the ordinary, with several days of the month turning out higher. As system operator, National Grid always holds response and reserve to deal with the unexpected. Additional generation was dispatched to replace what was lost, but additional generation is dispatched every day for any number of reasons. Supply was restored within 1 hour of the event.

## **2. SME slot – Forecasting Accuracy**

The ESO presenter gave an overview of the improved forecasting accuracy work. The ESO have doubled the frequency of wind forecast publications, and now receives 8 weather updates a day. There is a provision of an additional day-ahead demand forecast to the market, and a new mathematical model structure and interactive tool for the forecasters. There are now 4 new weather stations located on the offshore wind generation sites and 2 additional weather forecast feeds.

ESO's new modelling process and forecasting tool has undergone parallel testing. There have been significant improvements in day-ahead demand forecasting and accuracy levels have been typical for 2012, when the renewable generation capacity was considerably lower, and the network was less complex. There have also been significant time savings: it halves the time it takes to finalise a demand forecast.

The consumer benefits the industry will see are more accurate and frequent forecasts which are fundamental to plan and operate the system securely and economically. Market participants and internal stakeholders can plan their activities more efficiently and barriers for entry are reduced for smaller market participants as they very often can't afford their own forecasting team and rely on ours. Furthermore, there will be clearer market signals to find solutions and fewer actions required in the Control Room.

Ofgem asked if it had been possible to quantify the consumer benefit of these forecasting improvements. The ESO replied it hadn't been possible. In cases like this, Ofgem understand quantifying the effect of the change may be difficult, and so a qualitative commentary would suffice. In this commentary, it should be made clear why the work undertaken will lead to improvements and/or benefit to consumers. Robust qualitative and quantitative explanations of consumer benefit will be considered equally as part of the incentives scheme.

### **3. SME slot – BM Wider Access Guidance document**

The ESO presenter gave an overview of the Balancing Mechanism (BM) Wider Access Guidance document which was published in August.

The aim of the BM Wider Access project is to open markets for smaller providers to enter more simply and at a cheaper cost, and to provide the ENCC with better flexibility. In January 2019, the Distributed Energy Resource (DER) desk was introduced to support the implementation of new unit types and to offer focus to smaller units. It is widely recognised that by reducing barriers to entry, market competition increases which should ultimately reduce balancing costs for the ESO, in turn reducing consumers' bills. The ESO have already seen evidence of some of the larger more traditional plant reducing pricing in a direct move to compete against the new providers. Bringing in increased levels of flexibility and non-traditional units is vital in progressing towards our 2050 zero-carbon ambitions.

The ESO tested the guidance document with providers who had progressed through the process, and took on board any feedback on extra sections to add. Sessions were run with prospective providers and current entrants to the BM to build knowledge of the Electricity National Control Centre (ENCC) and the ESO. Ofgem first asked about the nature of feedback the ESO had received from providers regarding the guidance document. The ESO responded that the exercise helped suppliers understand how the control room works, and to understand the ESO's position. Conversely, the exercise helped the ESO to understand the position of the suppliers.

Ofgem then went on to ask a number of questions regarding the DER desk including about how participants are included and how the desk interacts in the Control Room. The ESO explained that the providers can be any size and any location but BM Units must be grouped by Grid Supply Point Group. The DER desks all work together to balance the system, and will talk to and monitor what the other desks are doing to understand what is required; all actions are done through cost merit. Providers cannot have non-BM contracts if they are in the BM but they can still enter balancing services with a BM Framework Agreement. Providers understand that for contractual reasons they cannot hold both types of contracts and they are afforded the same access to balancing services as non-BM.

### **4. SME slot – Friday 9<sup>th</sup> August power cut**

As Ofgem and ESO discussions are currently ongoing, and a technical report has been produced, it was not deemed necessary to discuss this topic in this meeting.

### **5. Review actions**

Actions 38 and 39 closed.

## **6. ESO to highlight any particular notable points from the published report**

Balancing outturn costs are above the benchmark for the first time this FY, due to high wind and solar, outages and high demand.

Energy forecasting above target due to new tool and processes.

Loss of mains programme ongoing.

Balancing Services Use of System (BSUoS) forecasting was impacted by higher than expected constraint costs.

BM Wider access document published, as discussed in presentation earlier.

System access management: No cancellations or delays over an hour, we are focussed on driving down process errors.

Connection agreements: further agreements being checked.

Right first time (RFT) connection offers now 88%, due to new processes associated with Legal Separation, and an increased volume of applications, many of which require bespoke agreements.

The Stability Pathfinder was presented last month. The ESO held 2 webinars that were very well attended. The ESO mentioned that the Stability Pathfinder request for information (RFI) ceased in September, and publication of the RFI feedback is expected in mid-to-late October.

## **7. ESO to answer any questions which Ofgem have sent prior to the meeting regarding the recently published report**

Ofgem questions sent prior to meeting:

Q1. Stakeholders have raised concerns that the half-hourly wind actual value (from the wind capacity data published on the BMRS) has been exceeding the reported total metered capacity. Has/is the ESO planning to review this & what is the ESO doing to ensure the BMRS Total Metered Capacity number remains consistent with the assumptions in their wind forecast models?

A1. Please can you clarify which data on the BMRS you are referring to? We will be happy to discuss this during our SME slot on Forecasting tomorrow.

*Response given after meeting:* The Peak Wind Generation Forecast data is a snapshot of the wind forecast out-turn data  
<https://www.bmreports.com/bmrs/?q=generation/windforecast/out-turn> for the peak daily forecast. Sometimes the peak forecast is greater than the total capacity. This could

be because the capacity figure is only updated every few months, or because individual windfarms (for example newly commissioned wind farms) have exceeded their maximum capacity. Generally, this update is a 3 to 6 monthly cycle therefore the peak numbers would lag behind the actual installed capacity as new wind farms are commissioned since the last update. Intending to provide an updated file before the end of this week, the website will have refreshed numbers on it WB 14<sup>th</sup> October.

Q2. Additional costs in July and August have been added for the WHVDC fault (£0.5m and £1m respectively). Please provide evidence as to how these additional cost values were calculated.

A2. We will cover this during our SME slot on August balancing costs

Q3. In the "Supporting Information" section, NERESO have mentioned the incident that occurred on Friday 9th August. How, if at all, did the events of this day affect balancing costs for the month of August?

A3. We will cover this during our SME slot on August balancing costs

Q4. In the August report, the July 2019 absolute percentage error (APE) has been revised from 20.1% (a "below benchmark" value) to 18% (an "in line with benchmark" value). Please provide supporting information regarding this revision.

A4. Post event, the data goes through a series of reconciliation runs when data is collected, disputes are raised/settled, system flags may be changed etc, so there will always be changes as the data progresses through the reconciliation process. The calculation is always run on the most recent and therefore best data available.

Q5. The target set for this metric has not been met for 4 out of 5 months of this year so far. Has the ESO recognized a consistent issue or problem/what steps is the ESO taking to address this going forward?

A5. We are aware of the continued underperformance relating to Right First Time for the 2019/20 year so far. From an England and Wales point of view, the issue having the biggest impact on this metric is the embedding of new processes and ways of working with the transmission owner (TO) post legal separation, which is causing some issues in terms of quality and timeliness which we are working with the TO to address. NERESO are also experiencing an increased volume of applications, many of which are new types of connection that require bespoke agreements that differ from the standard, in particular tertiary connections which also tend to come through in bulk often resulting in multiple CUSC deadlines on the same day. This coupled with the fact that legal separation coincided with the RFT target increasing by 5% from 90% to 95%, making the RFT metric particularly challenging this year.

## **8. ESO to take other questions on the published report.**

The Pathfinder closes on the 30<sup>th</sup> September.

## **9. AOB**

### **Planning for mid-year reporting and Panel event structure**

Ofgem and ESO discussed the format and logistics of the event on the 13<sup>th</sup> November 2019

## Appendix 1 – Timetable

### 1. Annual Requirements

- Monthly
  - 15<sup>th</sup> working day of M+1 keeps cost basis historic
  - Meeting 20<sup>th</sup> working day of M+1
- Quarterly
  - 15<sup>th</sup> working day of M+1 following Q end (Jul, Oct, Jan)
- Half Year Report
  - 15<sup>th</sup> working day in October (M+1 after half year completed)
- Year End- Ofgem's Proposal
  - 7<sup>th</sup> 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 <sup>th</sup> Working Day                              | Monthly report submission date        | ESO                 |      |
| No later than 5 Working Days before meeting               | Provide the Chair with meeting papers | ESO                 |      |
| 20 <sup>th</sup> Working Day                              | Monthly Monitoring Meeting            | Technical Secretary |      |
| 25 <sup>th</sup> Working Day                              | Minutes from meeting submitted        | ESO                 |      |
| End of Month                                              | Chair to approve minutes from meeting | Chair               |      |
| 2 <sup>nd</sup> Working Day after approval of the minutes | Publication of meeting minutes        | Technical Secretary |      |

### 3. 2019-2020 Reporting & Meeting Dates

| Month     | Report Published      | Ofgem Meeting         | Report Type      |
|-----------|-----------------------|-----------------------|------------------|
|           | (15 <sup>th</sup> WD) | (20 <sup>th</sup> WD) |                  |
| May       | 22/05/2019            | 30/05/2019            |                  |
| June      | 21/06/2019            | 28/06/2019            |                  |
| July      | 19/07/2019            | 26/07/2019            | Q1 Report        |
| August    | 21/08/2019            | 29/08/2019            |                  |
| September | 20/09/2019            | 27/09/2019            |                  |
| October   | 21/10/2019            | 28/10/2019            | Half Year Report |
| November  | 21/11/2019            | 28/11/2019            |                  |
| December  | 20/12/2019            | 31/12/2019            |                  |



|          |            |            |                    |
|----------|------------|------------|--------------------|
| January  | 22/01/2020 | 29/01/2020 | Q3 Report          |
| February | 21/02/2020 | 28/02/2020 |                    |
| March    |            | 28/03/2020 |                    |
| April    |            |            |                    |
| May      |            |            | End of Year Report |

## Appendix 2 – Previously Closed Actions

|    |    |                          |                          |       |                                                                                |        |
|----|----|--------------------------|--------------------------|-------|--------------------------------------------------------------------------------|--------|
| 15 | 35 | 28 <sup>th</sup><br>June | 26 <sup>th</sup><br>July | ESO   | Provide more detail on the planning that is taking place for September onwards | Closed |
| 15 | 36 | 26 <sup>th</sup> July    | 29 <sup>th</sup><br>Aug  | ESO   | Provide more detail on Stability Pathfinder                                    | Closed |
| 15 | 37 | 26 <sup>th</sup> July    | 29 <sup>th</sup><br>Aug  | ESO   | Provide more detail on Operability Strategy Update                             | Closed |
| 16 | 38 | 29 <sup>th</sup><br>Aug  | 15 <sup>th</sup><br>Sept | Ofgem | Arrange a meeting to further discuss Mid Year Report content.                  | Closed |
| 16 | 39 | 29 <sup>th</sup><br>Aug  | 15 <sup>th</sup><br>Sept | Ofgem | Confirm the date of the November Panel event.                                  | Closed |