

## Monthly Monitoring Meeting

Friday 27 March 2020, 10:00 – 12:00

### Teleconference

#### AGENDA

Ref	Time	Title	Owner
1	10:05 – 10:20	SME slot – Early Competition phase 1	ESO
2	10:20 – 10:35	SME slot – Dynamic Containment	ESO
3	10:35 – 10:50	SME slot – Balancing costs	ESO
4	10:50 – 11:00	ESO to highlight any particular notable points from the published report	ESO
5	11:00 – 11:10	ESO to answer any questions which OFGEM has sent prior to the meeting regarding the published report	ESO
6	11:10 – 11:20	ESO to take other questions on the published report	Ofgem
7	11:20 – 11:30	Ofgem to give feedback on ESO performance	Ofgem
8	11:30 – 11:40	<b>Review actions &amp; AOB:</b> <ul style="list-style-type: none"><li>• Will the 30 April monthly meeting be held as no report will be published on 15<sup>th</sup> working day</li><li>• Contingency plan for End of Year panel event on 3 June</li></ul>	All

## Meeting record

### Monthly Monitoring Meeting

**Date:** 27 March 2020  
**Time:** 10:00 – 12:00  
**Venue/format:** Teleconference

#### ACTIONS

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
23	54	27 Mar	20 May	All	Contingency plan for End of Year panel event on 3 June and balancing costs deep dive on 28 May. ESO and Ofgem to look at own virtual conferencing software	Open
23	55	27 Mar	10 Apr	All	Ofgem to submit query to ESO regarding loss of load probability	Open

#### MAIN ITEMS OF INTEREST

##### 1. SME slot – Early Competition Plan

The Electricity System Operator (ESO) presenter gave commentary on the Early Competition Plan phase one.

Key points:

- Submit a detailed plan for how early competition design, build and ownership for network capability can be implemented by February 2021
- Encourage innovation and competition in the interest of driving down consumer costs
- ESO team have held workshops and a webinar to engage with industry and received feedback to allow us to draw initial conclusions
- Phase 1 update was submitted in December to Ofgem where the ESO identified five key models.
- The ESO is taking a few select models going forward after considering the following through engagement with stakeholders:
  - How early should the tender run.
  - Would we want to include all tenders or preferred bidders at a subsequent stage.
  - What selection of qualitative and quantitative metrics would the evaluation criteria be.

- Considering post change mechanisms and recognising transmission projects' need for long lead times. Will there will be post change tender awards
- Discussed on how to manage risk and not placing it all on bidders to make competition attractive.
- Decided a traditional solution backstop may not be necessary to be progressed in parallel with innovative solutions
- Design only options were discussed, but the purpose remains unclear
- Further stakeholder engagement and consultation planned throughout 2020, subject to Covid-19 implications.

#### Q&A Section:

Ofgem asked how the Early Competition Plan integrates with the Network Assessment Options (NOA) and if there will be early engagement. ESO explained that NOA is an annual process to identify economic benefit. We can use the NOA process to identify stakeholders' need and initial network solutions. Meanwhile, we can also use NOA as a reference. Once a solution is known, we will return to the NOA to check if the need and benefit is still there.

## **2. SME slot – Dynamic Containment**

The Electricity System Operator (ESO) presenter gave commentary on the Dynamic Containment project.

#### Key points:

- To address operability needs such as lower inertia, faster acting frequency response products are required.
- Dynamic containment is a fast-acting post-fault service to contain frequency within the statutory range and only active when frequency moves outside of operational limits. ESO are planning to procure 1GW in both directions.
- Dynamic Containment delivers consumer value by providing Weekly Auctions close to real time procurement. The Auction Trial has resulted in learnings shared across all products, and lowering barriers to entry. This reduces carbon emissions and create more competitive markets
- Regular communication has been sent out to industry via newsletters and publication. A new Dynamic Containment webpage has been set up on the ESO site.
- ESO have engaged with trade bodies and industry via live webinar with high attendee numbers and good feedback. There was an audio issue during the webinar. ESO took the lessons learnt and trained the organisers with IT courses to improve the webinar experience in the future.
- Updates to industry planned, along with draft contracts and testing documentation published. An onboarding process will be provided and the final contract to be published end of May with view to go live end of June 2020.

## Q&A Section:

Ofgem enquired as to what feedback has been received from market participants regarding product design. ESO explained there have been mixed reviews. There has been pushback on using GSP instead of GSP group for locational requirements. ESO are looking at lowering the 1MW threshold and implementing a three to six month grace period which will provide time to set up new equipment. The ESO are looking at how we can support negative feedback.

Ofgem asked if stakeholders have been engaged during product design. ESO responded that there was an urgent market need therefore consultation was between trade bodies. Stakeholder engagement from 2018 regarding input for design of future frequency response products was used.

Ofgem questioned if all technologies can participate. ESO replied that it depended on local requirements. Aggregators may be impacted due to 1MW threshold and may not be able to participate on day one, but will be able to in the future.

Ofgem asked if this is also open to wind generation. ESO explained that part of the auction trial is looking at splitting up the market. Wind can technically participate but would need movement on their side due to technical limits. ESO are currently engaging with industry participants on different projects.

Ofgem enquired about the roadmap containing Dynamic Containment, which includes moderation and regulation, and how will the three interact. ESO responded that the information pack online<sup>1</sup> describes how the products differ slightly. Further development of the products has not been put into action yet.

### **3. SME slot – Balancing costs**

The Electricity System Operator (ESO) presenter gave commentary on the £145m outturn against £84.5m benchmark.

#### Key points:

- Balancing costs in February were almost the same as January, although it was a shorter month. The main drivers behind the costs was a small increase in constraints costs which was offset by decrease in energy costs. An increase in RoCoF spend was offset by a decrease in reactive and Black Start spend.
- Wind was high with storms Ciara and Dennis on consecutive weekends. The wind information was unknown when we were forecasting month-ahead Balancing Service Use of System (BSUoS).
- On 10 January the Western Link tripped and remained out of service until 8 February increasing constraint costs.

<sup>1</sup> <https://www.nationalgrideso.com/industry-information/balancing-services/frequency-response-services/dynamic-containment?overview>

- Later in February there were some planned outages combined with network faults which contributed to high costs.
- Wind output in Scotland was slightly lower than January, however due to shorter month we averaged slightly higher. Wind in Scotland was the main driver of the costs.
- Map of thermal constraints indicates that SSE-SP, SCOTEX and SSHARN are normally the three most significant constraints that drive costs but there are other constraints that can be affected by outages on the transmission system. Due to lack of conventional generation in Scotland, the control room needed to bid off wind generators that have negative prices during the windy days, which increase the balancing costs. Also due to the high levels of wind generation all constraints will be solved by similar actions of bidding off wind. In mid-February a series of planned outages began, at the same time there was a network fault causing significant constraints and costs within Scotland across the second half of February. Control Room operational challenges in real time and subsequent actions performed were discussed and explained.

#### Q&A Section:

Ofgem enquired about loss of load probability. ESO are investigating and findings will be sent to Ofgem.

Ofgem asked about constraints costs in Scotland and historic trends increasing. ESO explained that storms contributed to costs and additional wind. Scottish network is less resilient than England and Wales due to geography. There is a lot of wind connection in Scotland and reduced conventional generation which means we have limited options to resolve thermal constraints there.

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

- Demand forecasting metric was almost on target and wind forecasting was fairly accurate considering additional wind of coming storms.
- Dynamic Containment webinar covered in presentation
- Low number of outages cancelled, with number of outages added for context. ESO been engaging with customers
- No new connection agreements. Metric will not be featured in Forward Plan 2020-21
- Right first-time connection offers metric shows no ESO related reoffers.
- ESO working closely with stakeholders to identify needs for ETYS and NOA

#### Q&A section:

Ofgem asked why the power curve for wind flattens off. ESO explained that there was a non-linear relationship between how windy it is and the windfarms output of MWs.

Ofgem asked if the change of wind level will result in high energy costs. When wind is steady it shouldn't impact too heavily on energy costs however when it changes it is

hard to anticipate exactly when it will change. Thus, ESO requires more real time reserve holding to prepare for it.

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

- If the wind forecast and BSUoS were updated to reflect high wind and ended up outturning fairly accurately (in line with expectations), why was the day-ahead demand forecast accuracy target not met? Did any other factors influence this? Why did the first storm have the greatest effect on day-ahead demand errors?

With regards to the BSUoS forecast, this is produced 2-3 weeks prior to the start of the month when wind levels aren't known. We were aware of the Western Link unavailability as this occurred on 10 January and so was taken into account in the forecast. As to why the first storm had the greatest effect on day-ahead demand errors, ESO clarified that demand forecasting looks at historic trends and if there has been a storm recently there is now more data available.

- In the latter part of the month, you mention that planned outages and network faults caused further restriction on the network. Regarding the planned outages, what actions did the ESO take to alleviate restrictions?

In the initial outage plan the ESO was intending to re-call an outage to allow a sanctioned outage to connect a new windfarm to begin. However, when the ESO tried to re-call the outage, the TO faulted the circuit. In combination with the planned outage, the fault led to significant constraints on the network.

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

None

#### **7. Ofgem to give feedback on ESO performance**

- Ofgem appreciated having visibility of Control Room actions in ESO balancing costs presentation
- Ofgem had heard positive feedback from stakeholders about the ESO's activities in relation to charging and the targeted charging review (TCR)
- Charging Futures webinars and steering groups have gone well.
- Workgroup members are concerned about their ability to resource these activities in the coming months due to the COVID-19 situation, but the ESO mentioned that it will take into account stakeholders' priorities when planning activities.
- Regarding C16 annual update, Ofgem will be in touch regarding some clarifications.

#### **8. Review Actions**

Action 51, 52 and 53 have been completed.

Actions 54 and 55 have been added.

## **9. AOB**

- Early Competition resourcing has been backfilled and progression on track
- Ofgem will be discussing 9 August report with panel in more detail on 28 May
- ESO Forward Plan 2020-21 published on 30 March and plans have not been changed to account for the effects of Covid-19, although the ESO noted that it will work with its stakeholders to prioritise activities accordingly. However, the effects of Covid-19 will be factored into Ofgem's reflections regarding performance, as the ESO should be judged evaluatively on its overall performance as a system operator. ESO have been communicating with industry and assessing how they work to make sure the Control Room can operate effectively.

## 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)

2019	2019	2019	2019	2019	2019	2019	2019	2020	2020	2020	2020
May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
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 (15 <sup>th</sup> WD)	Ofgem Meeting (20 <sup>th</sup> WD)	Report Type
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	29/11/2019	
December	20/12/2019	10/01/2020	
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

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
20	46	10 Jan	30 Jan	ESO/Ofgem	Ofgem to clarify the requirement for ESO daily balancing cost breakdown data; ESO to consider reporting the data on weekly basis	Closed
20	45	10 Jan	30 Jan	Ofgem	New agenda items: Ofgem to give feedback on ESO's performance in each monthly meeting. ESO to add this to the standing agenda.	Closed
21	48	30 Jan	28 Feb	ESO	ESO to expand the metric to include the number of outages for each month	Closed
21	49	30 Jan	28 Feb	ESO	ESO to provide update for Energy Forecasting Strategic Project	Closed
21	50	30 Jan	28 Feb	ESO	ESO to present the update on the Wider Access project in the next meeting	Closed
22	51	28 Feb		ESO	Confirm how staff moves associated with the Early Competition project will affect the Role 3 ambitions. Confirm whether these positions	Closed

<b>22</b>	<b>52</b>	28 Feb		Ofgem	Ofgem to confirm date of End of Year event	Closed
<b>22</b>	<b>53</b>	28 Feb		Ofgem	Ofgem to organise time with panel members for deep dive on balancing costs end of May	Closed