

## Monthly Monitoring Meeting

Tuesday 1 September 2020, 10:00 – 12:00

### Teleconference

#### AGENDA

Ref	Time	Title	Owner
1	10:05 – 10:20	<b>SME slot – Balancing costs</b>	<i>ESO</i>
2	10:20 – 10:35	<b>SME slot – Future Energy Scenario (FES) publication</b>	<i>ESO</i>
3	10:35 – 10:50	<b>SME slot – NOA third party options</b>	<i>ESO</i>
4	10:50 – 11:00	<b>ESO to highlight any particular notable points from the published report</b>	<i>ESO</i>
5	11:00 – 11:10	<b>ESO to answer any questions which OFGEM has sent prior to the meeting regarding the published report</b>	<i>ESO</i>
6	11:10 – 11:20	<b>ESO to take other questions on the published report</b>	<i>ESO</i>
7	11:20 – 11:30	<b>Ofgem to give feedback on ESO performance</b>	<i>Ofgem</i>
8	11:30 – 11:40	<b>Review actions &amp; AOB:</b> <ul style="list-style-type: none"><li>• Mid year performance panel event</li><li>• Summer review of balancing costs</li></ul>	<i>All</i>

## Meeting record

### Monthly Monitoring Meeting

**Date:** 1 September 2020  
**Time:** 10:00 – 12:00  
**Venue/format:** Teleconference

#### ACTIONS

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
27	64	1 Sep	18 Sep	Ofgem	Ofgem to send through the forward plan addendum feedback	Open
27	65	1 Sep	31 Sep	Ofgem	Ofgem to confirm the date for the mid-year panel event	Open

#### MAIN ITEMS OF INTEREST

##### 1. SME slot – Balancing costs

The Electricity System Operator (ESO) presenter gave commentary on the £136.2m outturn against the £65.5m benchmark.

##### Key points:

- July month saw higher constraint and RoCoF costs.
- There was approximately 5% lower demand relative to pre-COVID expectation.
- High wind and low demand drove the high costs on 5 July and 28 July.
- Optional Downward Flexibility Management (ODFM) was triggered to secure the system.
- When securing a low demand system on 5 July, besides ODFM, the ESO took large amount of actions on CCGT and interconnectors seeing nearly 4GW wind change.
- To address the challenges, the ESO also took pre-control room actions, i.e. short-term Obeya, weekly strategy meeting, ODFM strategy meeting and weekly operational call.
- The ESO showed examples of cost saving actions in both the pre-control room timescale and the control room timescale.

##### Q&A section:

Ofgem asked whether the cost saving actions are permanent changes or only in the high wind period on 18-19 July.

The ESO said the control room made that decision when they saw the constraint was active and costing. The optimisation actions depended on the system conditions.

Ofgem asked what elements on the list were difficult to build up confidence of energy forecasting in the weekly strategy meeting.

The ESO said demand and wind were included to consider the confidence level for they are fundamental to the network planning. The confidence increased as we got closer to real time. The uncertainty of the system condition and the market forecast were the key factors which impacted on confidence levels.

Ofgem asked what assumptions had been changed to make the system difficult to operate on 5 July.

The ESO said the interconnector operation status and the reduction of CCGT and biomass were the two main drivers.

## **2. SME slot – Future Energy Scenario (FES) publication**

Key points:

- Taking on board feedback from stakeholder engagement events, FES has identified 4 scenarios by the speed of decarbonisation and the level of societal change.
- Reaching net zero carbon emissions by 2050 requires immediate action across all key technologies and policy areas, and full engagement across society and end consumers.
- New technologies such as hydrogen and carbon capture and storage must be deployed for net zero. Industrial scale demonstration projects need to be operational this decade.
- The economics of energy supply and demand fundamentally shift in a net zero world. Markets must evolve to provide incentives for investment in flexibility and zero carbon generation.
- Open data and digitalisation underpin the whole system thinking required to achieve net zero. This is key to navigating increasing complexity at lowest cost for consumers.
- FES was launched on 27 July 2020 following by 9 broadcast live stream events. Positive feedback was received from these stakeholder events. Presentations are available online.

Q&A Section:

Ofgem asked how the total energy demand was reflected in the four scenarios.

The ESO said the total energy demand was primarily affected by two factors: the levels of energy efficiency and the type of fuel used. Leading the way has the highest level of efficiencies across all sectors followed by consumer transformation and system transformation. However, Consumer Transformation has the lowest total end-user energy demand due to the high levels of electrification and low levels of conversion losses from the production or combustion of hydrogen

## **3. SME slot – Network Options Assessment (NOA) third party options**

Key points:

- This year the ESO included interested persons' options to undertake the early development of options.

- Submission process is available on the NOA webpage. New submission process feedback received through our NOA consultation.
- The new process includes submission stage, filtering stage, detailed assessment stage and recommendation stage.
- The ESO's filtering criteria scores each option on the key areas and collects more information in the template.
- TOs may also be involved to provide support due to the complexity of the process.
- Our next step takes any submitted options through the CBA process, upon receiving a "viable" recommendation the ESO will work with the interested persons and the impacted TO to see how the option can be progressed. Any learning points will be fed into developing the process for the next NOA cycle.

Q&A Section:

Ofgem asked if there were any options processed since two deadlines had been passed. The ESO said there was one option submitted and we were working on the initial conversation and the viability check.

Ofgem asked if the criterion were the same as assessing the TO options.

The ESO said the criterion were similar as the TO options but with extra rigor due to the relative inexperience in providing transmission options compared with TOs. The ESO needs to ensure the benefit exists and may liaise with the TO to analyse the options in a network model.

Ofgem asked what drove the timescale of the submission window.

The ESO said the timeline was driven by the recent modification to the licence condition C27 and the consultation of our methodology which closed the end of June. It was also driven by the strict schedule of the NOA process. To allow adequate timing for options to be assessed ahead of the NOA CBA limits on the time to submit options had to be applied.

Ofgem asked what the process was for the options to be considered in the pathfinder projects.

The ESO said that as part of the filtering process, options will be assessed to see if they would fit better in current or future phases of existing NOA pathfinder projects. The reason for this is to avoid the possibility of a credible pathfinder project option being given a "viable" recommendation which could undermine an ongoing or future tender.

Ofgem asked for an example

The ESO said for example a battery provider could be an interested person however their option could be more suitable to the constraint management pathfinder. If a battery option was put into the NOA and given a viable recommendation it would signal that the option should be developed further in the interest of consumers. However, the option would not be considered against other similar options that would be considered in the constraint management pathfinder and therefore the NOA could be seen as undermining the pathfinder project.

Ofgem asked if the submission window would be longer in the next year.

The ESO confirmed that it would be full window and the ESO would be seeking feedback from stakeholders later in September and use this to improve the process for next year.

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

Q&A Section:

Ofgem asked if the automated constraint optimisation in the Role 1 notable events section was different from the optimisation to the network configuration.

The ESO said it was different methods. The optimisation to the network configuration is a manual process to assess the constraint boundary capacity when the constraint is active and costing while the automated constraint optimisation automatically identifies grid reconfigurations to improve the transfer capacity of congested boundaries.

Ofgem suggested that the ESO should include these tangible activities and show benefits in the mid-year and the end-of-the-year report.

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

There were no questions sent prior to the meeting.

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

Q&A Section:

Ofgem said that stakeholders were keen to understand the enduring solution for GC0147, and whether anything else would be progressed for reserve reform. The ESO responded that its plans were shown in the Forward Plan Addendum, but would pass on the feedback to the relevant SMEs.

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

Key points:

- Overall, Ofgem considered that the majority of the comments made in the Formal Opinion still stand.
- For Role 1, the forward plan addendum has addressed some of the comments made in the Ofgem formal opinion such as the ESO's intention to publish all data on the portal. The ESO has amended its benchmarks for Metric 1e: Customer Value Opportunities to make them more ambitious. Ofgem's formal opinion comments still stand for the rest of the Role 1 metrics.
- The majority of comments still stand such as demonstrating proactivity in reducing/maintaining balancing costs in short term. The ESO should link their deliverables to the zero operation ambition and net zero plan and set out a clear way forward on net zero. The ESO should demonstrate how they react to new challenges from the system change.
- Ofgem thought the Balancing costs deep dive session was helpful as well as the five operability challenges. However, Ofgem want to see more evidence about the short and longer term actions the ESO take to reduce costs instead of the business as usual.
- The Loss of Mains project was progressing slowly. The ESO should demonstrate how they lead the process and actively collaborate with DNOs to drive the change.
- The summer operability review will be an important part of how the ESO's performance is managed. The ESO should ensure they have right level of info for mid-year report. The ESO should show their perspective on how to manage the COVID-19 situation as well.

- For role 2, Ofgem stated that their comments from the Formal Opinion still stood on the delivery of product roadmaps / ancillary service reforms, compliance with clean energy package and the implementation plan, and the code admin and stakeholder satisfaction improvement.
- The ESO have added in some deliverables on supporting the access SCR which was welcomed. The ESO also changed the Metric 2a. performance benchmark to make it more challenging followed the discussion with Ofgem. The frequency response benchmark did not change but the ESO has provided a justification for this.
- For Role 3, the ESO has clarified some deliverables and presented in the monthly meeting which were helpful, such as changes on Future Energy Scenarios.
- Ofgem's comments on meeting its baseline expectations still stand on the Pathfinder procurement, NOA and Open Networks. It was positive to see the presentation and changes have been made already. The ESO need to show how market-based flexibility solutions can compete alongside traditional solutions. Stakeholder feedback will also be important to ascertain how the ESO had performed in relation to these deliverables.
- There was other stakeholder feedback on the progress of the skip rate, plan for the IT projects delayed by COVID, wider access API and Dynamic Containment, which the ESO will pass on to the relevant SMEs.

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

- Actions 64 and 65 added

#### **9. AOB**

- The ESO and Ofgem agreed to hold a webinar for the mid-year performance panel event in November. Ofgem will confirm the date with the panel members.

## 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)

2020	2020	2020	2020	2020	2020	2020	2020	2021	2021	2021	2021
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	22/05/2020	29/05/2020	
June	19/06/2020	26/06/2020	
July	21/07/2020	28/07/2020	Q1 Report
August	21/08/2020	01/09/2020	

September	21/09/2020	28/09/2020	
October	21/10/2020	28/10/2020	Half Year Report
November	20/11/2020	27/11/2020	
December	21/12/2020	03/01/2021	
January	22/01/2021	29/01/2021	Q3 Report
February	19/02/2021	26/02/2021	
March		26/03/2021	
April			
May			End of Year Report

## Appendix 2 – Previously Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
25	59	26 Jun	1 Jul	Ofgem	Send Panel report on 2019-20 performance to ESO	Closed
25	60	26 Jun	6 Jul	Ofgem	Ofgem to review the draft version of the Addendum before publishing	Closed
26	61	28 Jul	4 Aug	ESO	ESO to share presentation slides with Ofgem	Closed
26	62	28 Jul	31 Jul	ESO	ESO organise an IT deep dive session with Ofgem	Closed
26	63	28 Jul	28 Aug	Ofgem	Ofgem to organise a session for feedback from the performance panel	Closed