Monthly Monitoring Meeting

Monday 28 September 2020, 10:00 – 12:00

Teleconference

AGENDA

Ref	Time	Title	Owner
1	*10:05 – 10:20*	**SME slot – Balancing costs**	*ESO*
2	*10:20 – 10:35*	**SME slot – Skip rates**	*ESO*
3	*10:35 – 10:50*	**SME slot – FES Bridging the Gap**	*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**	*ESO*
7	*11:20 – 11:30*	**Ofgem to give feedback on ESO performance**	*Ofgem*
8	*11:30 – 11:40*	**Review actions & AOB:** • Open Networks feedback follow up • Mid year event	*All*

Meeting record

Monthly Monitoring Meeting

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

ACTIONS

None

MAIN ITEMS OF INTEREST

1. SME slot – Balancing costs

The Electricity System Operator (ESO) presenter gave commentary on the £114.3m outturn against the £102m benchmark.

Key points:

- August 2020 was more in line with the benchmark than what the ESO have seen so far this year. RoCoF was £14.9m higher than August 2019.
- August showed a reduction in costs from July
- ESO displayed a graph showing demand trending back towards expected demand levels as lockdown restrictions eased through August. There is the usual dip associated with a bank holiday but a healthy overnight demand and benign conditions meant the ESO didn't see significant costs on that day.
- ESO displayed a daily balancing costs graph. This shows the roughly £20m difference between July and August, which were driven by constraint costs is almost entirely attributable to the two exceptional days observed in July. Overall August was very similar to July with similar wind levels and demand levels across the majority of the month and if ESO remove 5 July and 28 July the average daily balancing costs are almost identical. The minimum National Demand (ND) observed in August was 16GW compared to 14.5GW on 5 July after Optional Downward Flexibility Management (ODFM) was taken.
- ESO showed a chart to illustrate the challenges of securing the system during normal demand periods as opposed to the very low demand periods seen in recent months. As mentioned, demand levels were higher and therefore not as costly in August. There was a bank holiday but due to low wind levels demand only dropped to 18.8GW, compared to the late May bank holiday weekend when demands reached 14.5GW after ODFM was taken. As evidenced, ESO only had to take a small volume of actions as the voltage and Inertia requirements were met with self-dispatched CCGT and Biomass. The interconnectors were turned down slightly to secure the RoCoF risk and the low wind levels meant that thermal limits weren't breached. Had the wind been higher, then ND would have been driven down by the embedded wind and CCGT and Biomass would have been displaced from the transmission system.

Q&A section:
Ofgem asked what is driving the difference in RoCoF costs between August 2020 and last August last year. ESO responded that this is due to lower demand and change in generation mix. RoCoF costs generally higher in Summer due to low demand.

2. SME slot – Skip rates

Key points:

- This is to provide greater clarity of the dispatch actions taken
- ESO have identified further benefits of doing this such as greater insight into themes and trends on sub-optimal or perceived sub-optimal dispatch actions to drive performance within ESO. Greater transparency when engaging with market participants. Potential for continual improvement of tool and build on our understanding within ESO and for market participants. As well as capability development for the future, including a real-time tool.
- ESO have created a 'Day+1' tool to enable us to publish data on the data portal to show. This shows greater transparency of the reasons for all Bid Offer Acceptances (BOAs) as well as all BOAs potential alternative actions. This enables comprehensive bid-offer data and parameters, and reason codes to indicate where an operational need is not resolvable by alternative available actions. These taken actions could be perceived as sub-optimal when assessed on cost/price alone. The tool has been developed using operational experience. Stakeholder engagement has been sought throughout the process so far and greater engagement is planned for the future.
- ESO displayed an example of what the tool output could look like. The data will include 3 tables showing what actions ESO have taken and why, what ESO did not take with greater transparency of why, and potential alternative actions that could have been taken, where applicable.
- ESO have specified classifications of actions which should align with current market understanding. There is reserve commitment, response holding, observing plant dynamics, management of inertia/ largest loss, constraints and energy actions. This is to provide insight into what actions ESO are taking and what they are for on a granular basis.
- The tool methodology is to identify BM dispatch actions ESO could have taken. Action is classified as an action ESO could have taken if all these criteria hold a comparable action taken for energy. As well as a price of alternative action is more attractive than the comparable action, noting that ESO don't violate constraints. Dynamics can meet the comparable action in terms of speed and length of instruction.
- ESO discussed timeline of activities. Currently ESO are running though assurance activities on the tool to test it and identify issues. ESO are planning on publishing an industry note. ESO have webinars, a methodology statement and readiness activities planned for October. Refinements planned before go live in January. ESO will publish a roadmap which will include actions due to be taken to increase transparency of operational decision making.

Q&A Section:
Ofgem requested wide industry stakeholder engagement in October as a number of participants are interested. ESO replied that we have started working with keen market participants to gain understanding ahead of the drafting ESO have carried out in the early stages.

3. SME slot – FES Bridging the Gap

Key points:

- This is the second year ESO have run Bridging the Gap to net zero as a project that links to Future Energy Scenarios (FES). FES explores what could happen in the next 30 years, whereas this looks at what should happen in the shorter term. This project involves working collaboratively with stakeholders to consider challenges and build consensus.
- To decide topics and areas for discussion ESO look at the strategic priorities. ESO will also look at the policy and regulation landscape, such as Government research programmes and trials, Clean Energy Package developments, Energy White papers, and Ofgem feedback. As well as views from wider energy industry, for example, innovation projects, academic papers, and industry research.
- ESO used the key messages from FES 2020 to identify topics that are the most important and need cross sector action to enable change in the short term. These are: Net zero is achievable, Markets need to evolve, Hydrogen and CCS are integral as well utilising other new technology, and finally Open data and digitalisation to enable net zero by also looking outside of the energy industry.
- This year, Bridging the Gap 2020 is called Peaks and troughs: how markets, technology and digitalisation can help meet the new challenges of a decarbonised energy system. ESO want to identify challenges that result from changes to the energy system because of decarbonisation. The energy system has been designed to meet one definition of peak. However, we're now in a world where there are new challenges – not just peak demand but also things like peak supply or peak EV demand. In order to set a clear scope for identifying these peaks and troughs, we're looking at 2030, as a stepping stone to net zero in 2050. We're considering potential impacts at a national level and we're initially looking at security of supply (being able to meet demand) and enabling zero carbon operation.
- On 21 October ESO have an online workshop to discuss what the challenges are and associated risks and opportunities. In advance of this ESO have begun conversations with core stakeholders from the wider industry to start the groundwork. At the workshop ESO and industry will be looking at technology, markets, and data digitalisation aspects by working collaboratively across the spectrum with external speakers. These will then follow on into three smaller workstreams looking at focus areas to identify proposals and recommendations. This will be shared via a presentation at the end of November. The final report will be drafted over December with core stakeholders to get sight of the report for review in January, before it's published in February.

Q&A Section:

Ofgem asked about where the ESO have broken the peaks and troughs into the three areas and how we are linking up with the ESO internal work on developing markets and how does this interact with the ESO work such as balancing markets. The ESO replied that this is an important part of the process and we have set up an internal steering committee to ensure everyone is aware of what is being discussed and there are no duplications. We also have sight of the Operability Strategy report.

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

- Demand forecasting had an ambitious target for August which wasn't met, there was unpredictable behaviour with easing of lockdown.
- Wind forecasting was impacted by thunderstorms across the country
- No excursions for security of supply
- System access management; there were three changes related to outages
- Wind generation broke a new record on 22 August
- BSUoS forecasting was again difficult to predict with easing of lockdown restrictions which meant lower constraint costs
- Consultation on terms of conditions for Dynamic Containment (DC) service with a soft launch due this Autumn.
- Clean Energy Package Article 6.4 and 6.9 webinar
- Transmission Network Use of System (TNUoS) charges five-year view was published taking into account the charging reforms.
- First time right connections had one ESO related re-offer.
- Officially launched the Interested Persons' (IP) options submission process for NOA 2020-21
- Published a blog for FES: Bridging the Gap to Net Zero programme

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

ESO submitted a response to Ofgem's questions in advance of the meeting.

6. ESO to take other questions on the published report

Ofgem queried the demand forecasting metric and asked if there is robust method or is this what the ESO are assuming by looking at demand patterns. ESO responded that there is a robust model that looks at COVID restrictions in other countries and identifies demand patterns. Forecasting team will look at what happened last August and see what the changes are compared to this year, such as the effect of COVID restrictions.

7. Ofgem to give feedback on ESO performance

Key points:

- Ofgem said that the publication of auction trial evaluation shows a positive level of transparency from the ESO. Such as operability challenges and how those are

being tackled. It was good to see both the independent report and the ESO response to it published.

- Regarding the TNUoS expansion constant, Ofgem felt the ESO could have been more proactive in bringing this to generators' attention. They are aware that TOs are only obligated to provide information at short notice, but are looking for the ESO to take a leadership role, and felt that the ESO could have done more to make generators aware of this issue which the ESO would have foreseen.
- Ofgem felt that the ESO should have been more proactive in flagging issues with cost-benefit analysis relating to the Eastern HVDC link.

8. Review Actions

- Actions 64 and 65 closed
- Action 66 added

9. AOB

- The webinar for the mid-year performance panel event will be held on 17 November with a morning webinar that will be recorded and an afternoon session with the Panel. Logistics and format will be the same as the End of Year event.
- Ofgem and ESO discussed expectations regarding the Panel feedback session

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)

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

3. 2019-2020 Reporting & Meeting Dates

Month	Report Published (15th WD)	Ofgem Meeting (20th 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
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
27	**64**	1 Sep	18 Sep	Ofgem	Ofgem to send through the forward plan addendum feedback	Closed
27	**65**	1 Sep	31 Sep	Ofgem	Ofgem to confirm the date for the mid-year panel event	Closed