Monthly Monitoring Meeting

Friday 8 January 2021, 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 – Future Energy Scenarios (FES) costing publication**	*ESO*
3	*10:35 – 10:50*	**SME slot – Electricity Ten Year Statement (ETYS) publication**	*ESO*
4	*10:50 – 11:00*	**ESO to highlight any notable points from the published report**	*ESO*
5	*11:00 – 11:10*	**ESO to take questions on the published report**	*ESO*
6	*11:10 – 11:20*	**Ofgem to give feedback on ESO performance**	*Ofgem*
7	*11:20 – 11:30*	**Review actions & AOB**	*All*

Meeting record

Monthly Monitoring Meeting

Date: **8 January 2021**
Time: **10:00 – 12:00**
Venue/format: **Teleconference**

ACTIONS

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
29	**67**	8/1/21	29/1/21	Ofgem	Follow up questions on ESO response to the interactions between the Constraint Management Pathfinder and the possible RIIO-T2 incentive	Closed
29	**68**	8/1/21	29/1/21	ESO	SME to present at next monthly meeting to discuss wind forecasting metric and how ESO are addressing errors	Open
29	**69**	8/1/21	29/1/21	ESO	Demonstrate plan to lower Constraint costs	Open
29	**70**	8/1/21	29/1/21	ESO	Share scope of 'Joining the dots' work	Open
29	**71**	8/1/21	May 2021	ESO/ Ofgem	Organise "Deep dive" on Role 3 activities for the end of the year	Open

MAIN ITEMS OF INTEREST

1. SME slot – Balancing costs

The Electricity System Operator (ESO) presenter gave commentary on the £193.6m outturn against the £82.8m benchmark.

Key points:

- November this year was much higher than last year, with increases in all categories but particularly constraints, which were almost £100m higher this year. This is also the first month since February 2020 where constraints were greater than 50% of the total cost.
- November costs were higher than October. Constraints and Reactive were higher. Less on energy balancing, reserve and response, RoCoF, and Blackstart.

- Demand was significantly lower throughout November due to the second lockdown, however with the naturally higher demand levels across the summer lockdown this didn't drive prices in the same way. The minimum Non Daily Metered (NDM) for November was 16.5GW compared with 13.4GW in the summer and there was even an Electricity Margin Notice (EMN) on 17 November as upward margin is harder to manage in the winter.
- Overall wind output for November was slightly lower than October but roughly what ESO would expect for this time of year. Scottish wind was slightly higher than October, offset by England and Wales wind which was lower.
- November saw a significant rise in constraint costs that were driven by reduced capacity at the B7 boundary due to an outage
- ESO described some examples of Control Room cost saving actions

Q&A Section:

Q1: November saw a record high in balancing costs mainly due to the increase in constraint costs specifically in England and Wales. Is this likely to be a growing trend in the next few months if high wind periods occur due to outage delays from the summer? Or are the ESO expecting these numbers to be back to normal over the winter period? Also are the ESO taking a lessons learned approach to this high costing month to see if they can improve their performance if they are faced with similar conditions in the future? Does the ESO consider that it needs to take further action to manage constraints?

A1: Outages that would normally have finished before the winter were delayed from earlier in the year, this drove constraint costs with the higher levels of wind expected at this time of year. These outages concluded in December and currently the network is intact, there are due to be some outages resuming this month, but not expected to have the same impact on constraint costs. ESO are expecting numbers of outages to normalise over the winter period. When the first lockdown was introduced, all work on the network ceased. The TOs have improved in their forward looking planning, therefore the ESO is not expecting the same delays in the future. We have been liaising with the TOs to determine whether the ESO can be granted enhanced ratings on particular circuits. Essential outages can't be moved, but ESO are working with the TOs to manage constraints and associated costs.

Q2: With another lockdown being introduced which is more similar to the one back in March is there an expectation that balancing costs could again increase? Are there any lessons learnt from the previous lockdown that will be taken forward this time round?

A2: We are currently not expecting this increase in balancing costs over the winter period. Initial demand patterns appear to show a 10% reduction from what we'd normally expect. Summer costs were driven by prolonged periods of low demand with higher wind levels, ESO are not expecting the winter lockdown to drive costs in the same way. Over the winter the general difficulties are managing the operative reserve and tighter upward margins. Any reduction will not impact on downward margins. We have maintained the Short Term Operability Obeya, so the ESO are looking at the implications for next summer, and whether Optional Downward Flexibility Management (ODFM) will be needed or whether the ESO could consider introducing other tools. The Control Room also now have more

experience in managing low demands, and training materials have been put into the Control Room.

2. SME slot – Future Energy Scenarios (FES) costing publication

Key points:

- This work is to demonstrate the relative costs across the four energy scenarios, to potentially see which pathways are cheaper. It is not assisting in identifying a cost optimal pathway. It supports the key messages from our FES 2020 report, showing that the key messages were technologically and economically sound.
- To undergo this project, the ESO worked with Afry who provided costs for each of the different elements. The report and data workbook were published in December.
- This work is to enhance the FES to put more context around the key messages.
- Drew a level of scope and included most of the key elements of the FES, i.e. natural gas, hydrogen as well as road transport and residential heating. Have not included areas outside of the energy industry i.e. agriculture and non-road transport.
- Discussed background of the four FES scenarios: Consumer transformation, System transformation, Leading the way, and Steady progression.
- Costs were balanced across the scenarios, there is only a 7% difference in overall costs. Transport and heating are big factors. 'Leading the way' resulted in the cheapest scenario. There is no major cost difference between scenarios until 2045 with costs remaining around the same levels as today. 'Leading the Way' sees sharp annual cost reductions post 2045, the other three scenarios see broadly similar annual costs out to 2050.
- For stakeholder engagement we have held a webinar and utilised social media. Ofgem, BEIS and the CCC were consulted during the process and have been engaged throughout the process. By providing all our costs this allows for others to challenge and also create their own forecasts for the benefit of consumers.

Q&A Section:

Q1: Can you give an overview of the stakeholder feedback received?

A1: During the launch there was feedback which indicated that it was good to see these results. Data workbook has been well received. People were also surprised that the "leading the way" scenario was the cheapest. We have had to make assumptions on network constraints as FES scenarios are based on unconstrained network, there has been a lot of engagement on how the ESO can improve on this.

Q2: Will these results feed into any more analysis?

A2: The model created by Afry for the costing work will be able to be repeated for subsequent revisions of the FES. Some of the costs included in the model will help the analysis for FES 21.

3. SME slot – Electricity Ten Year Statement (ETYS) publication

Key points:

- The ETYS is the ESO's latest assessment of the current capability of the transmission system, and a view of future transmission requirements and capability needed on the GB transmission system in the next 10 years. With this we can engage with industry and devise solutions that help develop the transmission system. ESO use the FES scenario data and apply it to a snapshot of the network over the next 10 years so we can identify where there's going to be network congestion. In the ETYS, ESO determine transfer capacity for the region and overlay this on the expected power flows. We identify the size of the requirements needed to deliver a safe and reliable supply of electricity. Once this is known we assess potential solutions that will help meet these through the Network Options Assessment (NOA) process and ensure the most economic and efficient solutions are given recommendation to proceed. To encourage competition, we have made the information more accessible and digestible for stakeholders by publishing it online.
- Key messages that are coming from the ETYS is that the power flows are going to become more variable with higher peaks and more wind coming from the north. As we work towards net zero, the network will need more reinforcement. If no action is taken, constraint costs will rise significantly.
- Published ETYS in three formats: Full publication in an interactive web format, and Summary of the ETYS publication and Full legacy in PDF. Web version resulted in more interest and better engagement. ESO made improvements in the probabilistic section so it reflects the true system, and other innovation project updates. The ETYS launch was very successful with 1550 new viewers on the ETYS website which is unprecedented. As a result, going forward, subject to engagement with stakeholders and Ofgem, we will only do the web version.
- Regarding stakeholder engagement, the ETYS is written together primarily with the TOs and the analysis is carried out jointly. There was also a public call for feedback on ETYS 2019 in April 2020, the 2020 publication has been written with this in mind. The ETYS web version also has the ability for stakeholders to submit mini surveys, the results show improvement over the previous format with new stakeholders.
- ESO are improving the analysis by looking at more detailed year-round thermal requirements and are learning from the NOA pathfinder and bringing this to the ETYS. As ESO move towards competition, there is a need to ensure ESO are considering all potential options to future system needs therefore we are inviting industry feedback.

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

ESO summarised the key points from the report.

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

Balancing questions answered during presentation – see above

Q1: Wind forecasting was again significantly higher for the second month in a row is this to be expected from now on?

A1:

Q2: With another Lockdown being introduced which is more similar to the one back in March are there any expectations on demand being significantly reduced in the coming months?

A2:

6. ESO to take other questions on the published report

N/A

7. Ofgem to give feedback on ESO performance

Feedback will be provided at next monthly meeting once Ofgem colleagues are back from annual leave.

8. Review Actions and AOB

Closed action 66
Added actions 67-71

Appendix 2 – Previously Closed 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	Closed
27	**65**	1 Sep	31 Sep	Ofgem	Ofgem to confirm the date for the mid-year panel event	Closed

28	**66**	3 Nov	8 Jan	ESO	ESO to share views on the interactions between the Constraint Management Pathfinder and the possible RIIO-T2 incentive that could allow TOs to earn a payment based on a share of the cost saving actions that may reduce constraint costs	Closed