

Incentives Monthly Monitoring Meeting

Meeting Minutes (May 2022-23 Report)

Details

Date:	Thursday 07 July 2022	Location:	Teleconference
Time:	10:00 - 12:00	Meeting Number:	45

Agenda

Ref	Time	Title	Owner
1	10:05 – 10:20	SME slot – Balancing Costs	ESO
2	10:20 – 10:35	ESO to highlight notable points from the published report	ESO
3	10:35 – 10:50	ESO to take questions on the published report	ESO
4	10:50 – 11:00	Ofgem to give feedback on ESO performance	Ofgem
5	11:00 – 11:10	Review actions & AOB	All

Participants

Name	Company	Name	Company
Laurence Barrett	NG ESO	Kirstin Nazareth	Ofgem
Phil Smith	NG ESO	Samar Ahmed	Ofgem
Jess Rivalland	NG ESO	Adam Gilham	Ofgem
Filippos Panagiotopoulos	NG ESO		
Nicholas Robertson	NG ESO		

Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
41	121	04/02/22	August 2022	Ofgem	For RRE 2B Diversity of service providers, consider if data that is being reported on is suitable, particularly STOR.	Open
44	127	09/06/22	August 2022	All	Organise wind forecasting deep dive sessions	Open
45	128	07/07/22	August 2022	ESO	'Bubble graph' data: ESO to share the data behind the bubble graph of prices submitted, going back as far in time as possible.	Open

45	129	07/07/22	01/08/22	ESO	Cost saving actions: ESO to make it clear in future meetings where the action taken was a new, non-BAU action the ESO has taken to drive the savings quoted, including examples where a new approach was tried that was unsuccessful in reducing costs.	Open
45	130	07/07/22	12/08/22	ESO	RRE 2C: Update and republish the mid-scheme report with the figures for RRE 2C EMR Decision Quality. Notify Ofgem once this is done.	Open
45	131	07/07/22	August 2022	All	BP2 Benchmark for Metric 1A Balancing Costs: ESO and Ofgem to come up with initial views regarding creating a BP2 benchmark to apply for this metric from 2023-24.	Open
45	132	07/07/22	15/07/22	Ofgem	Ofgem to confirm whether BP1 milestones that are delayed with a very clear reason outside the ESOs control should be removed from BP1 incentive reporting.	Open
45	133	07/07/22	30/09/22	ESO	Categorisation of balancing costs: ESO to share breakdown of costs for previous months once the categorisation issue has been corrected.	Open
45	134	07/07/02	15/07/22	ESO	Current benchmark for Metric 1A Balancing costs: ESO to confirm if they are happy with Ofgem's proposal to keep the benchmark as is for 2022-23, and/or add a note regarding the constrain cost benchmark being negative if wind output was to drop below a certain level.	Open
45	135	07/07/02	August 2022	Ofgem	Ofgem to arrange calls in August on next year's metrics and RREs.	Open

Discussion and Questions

1. Balancing Costs

Filippos Panagiotopoulos talked through drivers of the May 2022 balancing costs which were £211m compared with a provisional benchmark of £163m and therefore below expectations. He then shared some of the cost saving actions taken by the ESO during the month.

Question	ESO response
Once the issue with the categorisation of costs is resolved, will the ESO be able fix the categorisation of previous months' costs retrospectively?	Yes, the ESO will share the corrected previous months' figures once available.

What is the main driver of the lower volume of actions for energy costs this year compared with 2021-22?

Response provided after the meeting:

Outturn wind has been higher in the first three months of 2022-23 than the same months a year ago. During windy periods, generators would be running below their Maximum Export Limit (MEL), providing headroom which contributes to the reserve requirements, which negates the need for the Control Room to take action to create reserve. Although there are many factors at play, higher wind is the main driver of the lower volume of non-constraint actions we've taken so far this year.

Costs for Reactive appear to be a higher proportion of total costs this year compared with last year. What is the main driver for this difference?

Response provided after the meeting:

The Obligatory Reactive Power Service' (ORPS) price has increased significantly since a year earlier, with a price of £10.96 BP_u in May 2022 compared with £3.43 BP_u in May 2021.

[ESO Data Portal: Reactive Default Payment Rate - July - 2022 - Dataset](https://nationalgrideso.com/Data-Portal/Reactive-Default-Payment-Rate-2022-Dataset) | [National Grid Electricity System Operator \(nationalgrideso.com\)](https://nationalgrideso.com)

Regarding reduced ROCOF as a result of the implementation of FRCR, does this mean that in these months there were no operability concerns linked to low demand? We there any tight days causing operability concerns?

Response provided after the meeting:

The Frequency Risk and Control Report (FRCR), progress in the Accelerated Loss of Mains Change Programme (ALoMCP) and growth of Dynamic Containment (DC) have enabled the ESO to secure larger total losses (including RoCoF) using a mix of response services. Due to the growth of DC which is currently peaking at 1GW, we are generally secure and meet the operational requirements set out in the FRCR report [here](#).

The FRCR sets out the likelihood of frequency deviations based on adopted policy. In terms of tight margins, we have occasionally needed to procure frequency response from Mandatory Frequency Response (MFR) on days where DC has been short (due to high prices and opportunities in wholesale). This option can be expensive given generation is usually at full output and have no headroom for response, and new machines may need to be synchronised for response. However, since we updated the DC buy order in April 2022 we have incentivised growth in DC with the aim to competitively procure up to 1600MW of DC in the future to cover our largest losses. This means we will have increasingly less dependence on conventional response procured in the BM in future.

When referring to 'margin', does the ESO mean total margin, or headroom on available plant?

Headroom provided by the market in the BM.

In the cost breakdown for May, what caused the shift from costs in Cheviot early in the month, to costs in Scotland after 13 May?

The first 10 days were windy leading to BM actions taken to manage active thermal constraints located in the Cheviot region. From 13th May there were some outages in the Scotland area which led to thermal constraints biting in Scotland, hence actions were taken to manage them.

Is there a dataset behind the 'bubble graph' of BM prices submitted? Can this be shared going back as far in time as possible?

Yes, the ESO will share this data with Ofgem.

On the first cost saving action listed, what action was taken to reduce the requirements? Or was it just that the forecast requirements changed?

Response provided after the meeting:

No specific action was taken; the final System Operating Plan (SOP) was to run two units to resolve voltage issues, and when real time approached the change in market conditions led to one unit being required. No actual saving was made, the ESO did not need to spend the money. Such events do happen and are normal, with conditions in the BM changing, thereby using less plant than planned to resolve a system issue).

Ofgem would also like to understand other potential cost saving actions the ESO has tried that were not successful.

The ESO will also make it clear in future meetings where the action taken was a new, non-BAU action the ESO has taken to drive the savings quoted, including examples where a new approach was tried that was unsuccessful in reducing costs.

Did ESO make any adjustments on BSUoS forecast between April and May (ie. between March and April forecasts for April and May outturn) that caused improvement or was April just an anomaly?

The wholesale prices fell between the time that the forecast was made, and the subsequent outturn. We do take this into account in our forecast by running a range of scenarios. We produce a central forecast and a range of other scenarios which try to account for the uncertainty in things like the wholesale price and the weather. However, we only publish the main forecast and the upper and lower values. Forecasting this year is not very comparable to the same time last year, due to the record high prices and variability we are seeing this year.

Additional detail provided after the meeting:

April was an anomaly driven by high variability in the forward curve of the wholesale electricity price in March. The change between April and May was not due to adjustments to the forecast.

Does ESO have a position on whether the new BSUoS dataset has brought about improvement?

Response provided after the meeting:

We ran the new model alongside the old model over the period April 2021 to December 2021 and compared their performance. Over that period the new model had a mean absolute percentage error (MAPE) of 21% compared to 30% for the old model. Performance over the period was heavily skewed by November 2020 which had very high costs, and removing that month from the analysis gives a MAPE of 18% for the new model vs 26% for the old model. Therefore we're confident that the new model is more accurate. The new model also reacts quickly to changing circumstances.

The old model was switched off at the end of December 2021, and the new model has been used for the forecasts from January onwards.

We held a webinar to introduce the new model on 27 June 2022. The webinar recording and documents are available:

1. [Pre-webinar document](#)
2. [Webinar slides](#)
3. [Webinar recording](#)
4. [Webinar Q&A document](#)

2. ESO to highlight notable points from the published report

Laurence briefly talked through the key points from the May 2022-23 report.

3. ESO to take questions on the published report

Question	ESO response
Wind forecasting metric: Ofgem and the ESO weren't fully comfortable with this metric when set up, but it was used for BP1 as both sides were unable to agree a suitable alternative. The issues raised previously still exist.	Ofgem to arrange calls in August on next year's metrics and RREs. The ESO is also looking to give initial view on BP2 metrics in their BP2 submission.

6. Ofgem to give feedback on ESO performance

n/a

7. Review actions & AOB:

Actions

Action 126: Consider how to report cumulative data in monthly reports	ESO to trial showing metric and RRE performance over the full BP2 period in upcoming reports.
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AOB

Panel and Ofgem mid-scheme reports	Ofgem said that they expect both to be published on or around 18 July.
RRE 2C EMR Decision Quality	The ESO has now received the data from Ofgem for the mid-scheme report. They will update and republish the mid-scheme report, and notify Ofgem once this is done.
Benchmark for Metric 1A	<p>Discussion following recent emails regarding the benchmark.</p> <p>ESO will correct the constant that had been included as a negative in the April report in error. It was agreed that the April and May reports do not need to be updated.</p> <p>Regarding the issue of the benchmark giving a negative figure for constraint costs if the wind drops below a certain level, Ofgem's recommendation is not to change this during 2022-23, or alternatively to add a caveat covering the eventuality of unprecedented low wind. The ESO will come back to confirm if they are happy with either of these approaches.</p> <p>ESO and Ofgem will both start looking at proposals for the BP2 benchmark to apply for this metric from 2023-24 and discuss in future monthly meetings.</p> <p>It was also suggested that work on a new benchmark might also lead to an approach to evaluating the ESO's performance on this metric across the BP1 period, given that the current benchmark is not considered to be a suitable measure of performance.</p>
Descoped milestones	<p>Laurence Barrett asked if the ESO still needs to report on milestones that are delayed due to a really clear reason outside the ESO's control (for MARI and TERRE they were removed from the milestone list).</p> <p>Ofgem to provide a response on this. They would have to consider whether changes would impact the BP1 ambition grading. Agreed that they could be removed based on a case-by-case discussion</p>
BP deliverables moving into BP2	Laurence Barrett asked about milestones that are included in BP1 but are expected to be moved back into BP2. The ESO propose that these are still reported in BP1 incentives reports, but the commentary could explain that the milestones have now been moved to BP2. Ofgem agreed to this approach.

Previously Closed Actions

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41	121	04/02/22	August 2022	Ofgem	For RRE 2B Diversity of service providers, consider if data that is being reported on is suitable, particularly STOR.	Closed
44	125	09/06/22	30/06/22	Ofgem	Ofgem to calculate and approve benchmarks for metrics 1A, 1B, 1C.	Closed
44	126	09/06/22	25/07/22 (Q1 report)	ESO	Consider how to report cumulative data in monthly reports	Closed