

Incentives Monthly Monitoring Meeting

Meeting Minutes (Q1 2022-23 Report)

Details

Date:	Monday 01 August 2022	Location:	Teleconference
Time:	10:00 - 12:00	Meeting Number:	46

Agenda

Ref	Time	Title	Owner
1	10:05 – 10:25	SME slot – Balancing Costs	ESO
2	10:25 – 10:40	SME slot – BM Release 1	ESO
3	10:40 – 10:55	SME slot – Descoped deliverables	ESO
4	10:55 – 11:05	ESO to highlight notable points from the published report	ESO
5	11:05 – 11:15	ESO to take questions on the published report	ESO
6	11:15 – 11:25	Ofgem to give feedback on ESO performance	Ofgem
7	11:25 – 11:30	Review actions & AOB	All

Participants

Name	Company	Name	Company
Phil Smith	NG ESO	Claire Huxley	NG ESO
Jess Rivalland	NG ESO	Samar Ahmed	Ofgem
Cristian Ebau	NG ESO	Adam Gilham	Ofgem
Nicholas Robertson	NG ESO	James Hill	Ofgem
David Bowman	NG ESO		

Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
44	127	09/06/22	September 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.	Closed

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. Create separate session.	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. This to be done on case by case basis.	Open
45	133	07/07/22	September 2022	ESO	Categorisation of balancing costs: ESO to share breakdown of costs for previous months once the categorisation issue has been corrected.	Open
45	135	07/07/22	August 2022	Ofgem	Ofgem to arrange calls in August on next year's metrics and RREs. Ofgem are currently reviewing these.	Open
46	136	01/08/22	30/08/22	ESO	For the balancing costs presentation, the ESO to provide the reasons behind the highest cost days each month.	Open
46	137	01/08/22	30/08/22	ESO	ESO to provide a response on whether if planned outages had been moved, would constraints costs have been lower.	Open
46	138	01/08/22	30/08/22	ESO	Follow up with Ofgem regarding descoped Access and Forward Looking Charges deliverables and suggested amendments	Open
46	139	01/08/22	30/08/22	ESO	ESO to explain the drivers behind the lower than expected levels of accuracy for forecasting.	Open
46	140	01/08/22	05/08/22	All	Arrange meeting to discuss interconnector availability and options.	Open
46	141	01/08/22	30/08/22	ESO	ESO to provide an update on the oscillatory event that happened in August 2021 on the SHETL network	Open
46	142	01/08/22	30/08/22	Ofgem	Approve minutes from monthly meeting regarding May report.	Open

Discussion and Questions

1. Balancing Costs

Cristian Ebau talked through drivers of the June 2022 balancing costs which were £327m compared with a provisional benchmark of £113m and therefore below expectations.

Nicolas Robertson then shared some of the cost saving actions taken by the ESO during the month.

Question	ESO response
Minor constraints data was an issue last month, does the ESO know what the root cause is?	We are currently investigating and not yet in a position to provide a response. We will share the reasons once we are able to.
Regarding the overall spend, was this mainly driven by increased volumes, given that day ahead prices are still low compared to February. What is driving the volumes?	Summer is the time where more planned outages are activated, this triggers the system operation as there are fewer viable networks. This then cascades to additional constraints actions.
England and Wales had higher constraints costs due to a number of outages. Were these planned or unplanned?	There were both planned and unplanned outages. It may be useful to clarify that 'planned outages' are those that the ESO has been informed of at the start of the financial year. Unplanned outages are sometimes the result of faults. They can also be outages that were not scheduled at the start of the financial year, but carried out intentionally by the TO, with only short notice for the ESO. In June, there were also some unplanned outages. One of which, on 10 June caused a fault when going back into service exacerbating the import constraints already in place and triggered the high costs for E&W on that day.
Given the constraints costs, did you consider if the planned outages should be moved?	We will provide a response. As mentioned above, it was due to a fault.
Regarding the Cheviot boundary costs increase, was this due to increased wind levels?	In June we had a decrease in wind level generation, the increased wind levels mentioned in the presentation was not comparing to last month.
On the day by day breakdown of costs, there are three days that are shown to be the highest daily costs the ESO have had for 2022-23. What were the drivers for the high costs on 10, 11 and 12 June? Ofgem requested for ESO to always provide an explanation of these high cost days in future monthly presentations.	We will provide a response. High costs for E&W on 10 June were driven by a fault that exacerbated the import constraints that were already in place for that day. Saturday 11 and Sunday 12 June the high costs were mainly due to the large volume of BM actions required to buy off wind generation in Scotland, due to high wind levels, in order to manage the power flow restrictions on the England-Scotland network boundary. ESO will explain high cost days for each month in future meetings.
The cost saving action taken is to gain confidence in dispatching small BMUs. This is a topic of interest at the OTF where people have asked why smaller units have not been dispatched. If this is developing behaviour in the control room can this be expressed at OTF?	The ESO is starting to explain why certain units have been skipped and in about three months we are holding a workshop which intends to provide clarity and a better understanding of why units have been 'skipped' by the control room to participants. Hopefully this will lead to participants reacting more positively in the market to signals given by the skip rate tool. We are hoping to gain confidence in implementing this behaviour.

2. Balancing Mechanism (BM) Release 1

David Bowman talked through the link between deliverables, investment lines and BM capability. He mentioned the BM capability product vision which includes BM system health, preparing the control room for carbon-free operation in 2025, reducing manual processes, and minimising balancing costs for consumers by ensuring the control room systems can handle the current energy landscape.

He then discussed Release 1 which occurred during May and June. There were several deliverables that were funded by 210 Balancing Asset Health, and another three funded via other investment lines. The product roadmap was also talked through with more releases occurring in the Autumn.

Question	ESO response
Regarding the deliverable of removing 2,500 hours per year of workarounds, are the ESO removing these to save costs or is it leading to a better service? Will this be worth the money the ESO is investing in keeping balancing assets operational?	Within each area of work, we have different prioritisation methods where we need to make changes in business plan commitment. When it comes to asset health we speak to the developers, similarly with the control room we have a priority list. In terms of the cost saving, this doesn't lead to a reduction in headcount, it reduces workload and allows to focus on more value added activities and better decision making in keeping the system secure.
How is the better service and decision making being measured? Considering the system will be replaced in 5 years.	The process is not yet fully robust within this release based framework. We know in terms of the control room where some of the larger number of workarounds are to prioritise. In terms of tracking the benefit, it is not easy and it is fair to say we have not quite achieved this. It is largely based on control room feedback and difficult to come up with counterfactual actions that saved money. With each release we look at the business plan commitment and what needs to be delivered. We also look at what issues need to be addressed.
Have the ESO begun a way of tracking the benefit?	We track benefits through our governance processes. However, this is still quite new.
Once the prioritised processes with the most manual workarounds are improved, it's going to get harder to measure the benefits for smaller ones. Are the ESO planning to put in a process to measure this? How are the resources going to be balanced from one project to another?	The ESO would like to do a prioritisation portfolio, and then rank the processes in terms of the value they add and in terms of their size. This is possibly something we can do for the Release 3 in the Spring. We have found it difficult to prioritise across the asset health, control room functionality and project work categories, but are prioritising well within them.
For the voltage pathfinders, they went live in April and the BM release 1 was after this. The ESO did not have a reason code for this project. For future projects now the ESO have the release cycle in progress, will the ESO pre-empt this and have reason codes? Will there always be a slight lag?	We did go live before needed because it was the project with Zenobe and they didn't start offering the service immediately. It did end up going live after the release due to testing and standing by for them to be fully prepared. The product roadmap allows us to engage with all projects and understand commitments, and to confirm we have the correct timings.

3. Descoped deliverables

Claire Huxley went through deliverables from the RIIO-2 plan regarding Access and Forward Looking Charges that have now been descoped. ESO are looking to have these milestones amended, such as changing to the TNUoS task force currently underway. Action 138 has been added to follow up with Ofgem on the relevant deliverables and suggested amendments.

4. ESO to highlight notable points from the published report

Phil Smith talked through the key points from the Q1 2022-23 report.

5. ESO to take questions on the published report

Question	ESO response
Ofgem remarked that money has been spent on forecasting improvements but that we are still reporting a lower level of accuracy than Ofgem expected. What is driving this performance?	ESO will provide a response.

6. Ofgem to give feedback on ESO performance

- The Ofgem wholesale team reviewing the EMR portal have noted that it is one large release rather than incremental, they are expecting to see a plan for how this will be delivered by April 2023.

The ESO has responded that in our original delivery plan, the EMR portal was a series of releases through this year, which were all aligned to the operational timeframes of the CM process. In June this year, following engagement and feedback from our customers, we took the decision to complete the build of the portal before making it live rather than making small sections live in increments. This was principally to allow customers to see the whole process before they used it for a critical revenue stream and a critical winter security product.

This decision has therefore allowed us to rethink the delivery and rather than increments aligned to the CM plan, we are now in the process of rephasing each sprint now that the year has more flexibility as to what drops need to happen when. This rephasing results in the same end date but will allow for greater customer input and allow us to consider the efficiency of sprint grouping. This will be reflected in the BP2 IT annex and narrative.

- For the high trading actions over the interconnector, Ofgem would like to understand how the ESO considers this type of assessment, especially when determining interconnector availability and options concerning it. Action 140 added.
- Regarding the oscillatory event that happened in August 2021 on the SHETL network, Ofgem were expecting to see an update on what happened. It was chased at the last working group however, there hasn't been any follow up. Action 141 added.
- The ESO's transparency was appreciated regarding 20 July 2022 when balancing costs were very high, both at the Operational Transparency Forum and the separate Technical Listening Session that was held on 29 July 2022 to cover the same topic. The engagement on this was really good, the speed and quality were exceptional.
- Concerning the NTC tool, there is considerable industry interest, particularly in interconnector availability over Winter. There has been frustration over the lack of transparency on this. The tool was approved in August 2021. However, the information hasn't gone onto the data portal and was missed in the annual guidelines reporting. Ofgem are engaging with the relevant team.
- There has been marked improvement in the Role 2 product development and visibility of an engagement plan.

7. Review actions & AOB:

Actions raised

Action No.	Resp.	Description
136	ESO	For the balancing costs presentation, can the ESO provide the reasons behind the highest cost days each month.
137	ESO	ESO to provide a response on whether if planned outages had been moved, would constraints costs have been lower.
138	ESO	Follow up with Ofgem regarding descoped Access and Forward Looking Charges deliverables and suggested amendments
139	ESO	ESO to explain the drivers behind the lower than expected levels of accuracy for forecasting.
140	All	Arrange meeting to discuss interconnector availability and options.
141	ESO	Provide update on oscillatory event that happened in August 2021 on the SHETL network
142	Ofgem	Approve minutes from monthly meeting regarding May report.

Previously Closed 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. This has been moved into BP2 framework.	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
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.	Closed
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.	Closed
45	134	07/07/02	15/07/22	ESO	Current benchmark for Metric 1A Balancing costs: ESO to confirm if they are happy with	Closed

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.
