

# Incentives Monthly Monitoring Meeting

## Meeting Minutes (September 2023-24)

### Details

Date:	<b>14 November 2023</b>	Location:	<b>Teleconference</b>
Time:	<b>10:00 - 12:00</b>	Meeting Number:	<b>60</b>

### Agenda

Ref	Title	Owner
1	<b>Balancing costs monthly update - Filippos</b>	ESO
2	<b>PN Misalignment – David Dixon</b>	ESO
3	<b>ESO to highlight notable points from the published report</b>	ESO
4	<b>ESO to take questions on the published report</b>	ESO
5	<b>Ofgem to give feedback on ESO performance</b>	Ofgem
6	<b>Ofgem to give feedback on Mid Year Report</b>	Ofgem
7	<b>Review actions &amp; AOB</b>	All

### Participants

Name	Company
Simon Targett	ESO
Filippos Panagiotopoulos	ESO
Mark Robinson	ESO
Lizzie Blaxland	ESO
David Dixon	ESO
James West	ESO

Name	Company
Yuchang Wang	ESO
Matthew Fovargue	Ofgem
James Hill	Ofgem
Shubh Mehta	Ofgem
Luke McCartney	Ofgem

## Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
44	127	09/06/22	September 2022 tbc	All	Organise wind forecasting deep dive sessions <i>Latest - Currently deprioritised, unlikely to take place before BP2 period – include in an upcoming 1C deep dive session.</i>	Open
45	133	07/07/22	TBC	ESO	Categorisation of balancing costs: ESO to share breakdown of costs for previous months once the categorisation issue has been corrected. <i>Latest – Data issue still being worked on</i>	Open
53	177	30/03/2023	28/04/2023	ESO	Provide more information on is there a threshold at which wind becomes a problem. Set up a session on it after BP1 to discuss more in depth. <i>Update – Additional insight provided in monthly reporting / slides. Possible deep dive later in the year</i>	Open
55	187	01/06/2023	30/06/2023	ESO	Clarify with David Lenaghan the exact concerns regarding publishing BMU-level data in the public domain, and let Ofgem know. <i>Update – Meeting held with Ofgem, first anonymised data published, ESO require steer from Ofgem on sample data. Session on 15/11 planned</i>	Open
59	209	02/10/2023	31/10/2023	Ofgem	Adam to send email to confirm if benchmarks for 1B and 1C are correct to use. <i>Update – ESO to provide data information to Ofgem</i>	Open
60	210	14/11/2023	01/12/2023	ESO	<b>NEW</b> Lizzie to see if review of storm events can be shared externally, send across if ok.	Open
60	211	14/11/2023	01/01/2024	ESO	<b>NEW</b> Set up further discussions on PN misalignment once more analysis has taken place.	Open
60	212	14/11/2023	23/11/2023	ESO	<b>NEW</b> Check meeting expectations figures and make sure it is using 5% points methodology across Role 1 and 2.	Open
60	213	14/11/2023	01/12/2023	Ofgem	<b>NEW</b> Ofgem to send response to delivery schedule connections reform updates	Open
60	214	14/11/2023	01/12/2023	Ofgem	<b>NEW</b> Ofgem to double check email regarding delivery schedule milestone updates and respond to ESO.	Open

## Discussion and Questions

Introduction by Simon about what will be discussed and the agenda.

### 1. Balancing costs monthly update - Filippos

Simon passed to Filippos to go through the balancing costs performance for September 2023 (Mid Year).

**September balancing costs:** Filippos Panagiotopoulos talked through drivers of the month’s balancing costs.

Area/Question/Feedback	ESO Response
<p>Luke: Looking back at some energy imbalance costs from previous months, I think from August 2022, have been predominantly negative but in July and September started to become positive. Why is this? is it just the same kind of phenomenon that you've been seeing through the whole months? It's just the prices have changed?</p>	<p>Filippos: For the whole month the market was mainly long, but this varies from day to day. When the market is long, we expect the energy imbalance to be negative. We believe from September onwards especially in the winter period, it is going to be positive.</p>
<p>Luke: The minor components issue has that been resolved or is it ongoing still?</p>	<p>Filippos: We're going to complete the research and inform you as soon as possible.</p>
<p>Luke: On slide 16, it talked about the outage on the BM systems during the 28th of September. I was just wondering if there was any way that was that a planned outage? and how are our outages planned on the BM systems?</p>	<p>Filippos: Yes it was a planned outage.</p>
<p>Luke: Sunday the 17th of September with the PN misalignment with the wind units. Is it a new phenomenon? Or has it happened in the past but has been happening more recently?</p>	<p>Filippos: It's not new, but it's not something that happens often. It's happening mainly due to extreme weather conditions, mainly storms.</p>
<p>Shubh: September 24th wholesale price is £8 per MW hour, but cost is still near to 18 million, why?</p>	<p>Filippos: The main factor of this cost was the thermal constraint factor. Because for thermal constraints we must bid generators. We had a lot of bid actions. That's why the wholesale price is so different.</p>
<p>Matt: Frequency of events such as Storm Magnus are set to increase over the coming years. Is there any literature or plans that you have on how ESO will tackle these events going forward?</p>	<p>Lizzie: We recently had Storm Ciaran and there was a big session to reflect on that. Particularly in the control room and what we have learnt? How can we improve things? What's the breakdown of cost? There's an internal review going on about that storm and there's a lot of processes that they have decided that need improvement. So we always review performance after something like that and one of the main things we've changed in recent years is increasing reserve and response holdings during the time of the storm. A review is done after every event.</p>

Matt: Do you share these reviews with industry?

Lizzie: We probably can if that's something you're interested in seeing, I'll put it to the rest of national control and see if that's something we could share externally.

**ACTION:** Lizzie to see if review of storm events can be shared externally, send across if ok

Luke: The 5.7 gigawatts wind forecast error on 17th September, has that got anything to do with the PN misalignment with the wind unit? Or is it a totally separate issue?

Filippos: This is a separate issue. It was from the variability of the wind for this day.

Shubh: My question is it's related to storm events only. So for example, there's a storm forecast. Depending on the severity of the storm, in those specific days, do you track the variability in wind forecast? Is this making a good trend which you can use it to help yourself forecast those storms better?

Filippos: Yes, we have a whole team that is looking at wind and are collaborating with Met Office who we get specific information for a storm every hour, but as you know the variability in each storm it's high.

Simon: We actually have a session with yourselves on this tomorrow at 4pm with John Walsh who leads our wind forecasting team. The purpose is to get to some of the detail on the methodology, but I think he's going to give an overview of wind forecasting. So if you want to come along to that to understand it a bit more, ask him some questions direct to those who do it. Then feel free.

Lizzie: The risk of cut out is also a factor. When they get above a certain wind speed, essentially the wind farm stop turning. So part of that planning process is highlighting what periods of time we are at risk of cut out.

## 2. PN Misalignment – James West & David Dixon

David explained quite a few ongoing conversations of all the initiatives that the ESO are going through to reduce balancing costs and manage the system better have taken place. Explained PN misalignment is not the only issue we're trying to resolve. This piece of work is in the early stages. We're trying to sort of formalise it and crystallise it in its current state, but we thought best to raise the problems and the way we're thinking about them at the moment. James West is going to be leading on this piece of work.

James West then spoke about the information imbalance issues. Explaining the control room flagged to us that there's an increasing problem with information accuracy, particularly on PN's. He then ran through the major issues that have been flagged, but also some of the work that ESO are looking at and some of the ideas that we've had in trying to address the issue.

Area/Question/Feedback	ESO Response
<p>Luke: Physical notifications are consistently above or below output. Is that a specific type of generation? Is it mainly wind causing this behaviour?</p>	<p>James: From our perspective, wind has the largest error, but this is an issue across all generator types. So for our analysis, we will be generator agnostic, but wind has been flagged to us specifically by the control room because of how prevalent it is on the system and the large errors in PN.</p>

Matt: What does low, medium and high means for cost impact? Do you have any ballpark figures?

David: We don't have a quantitative measurement for the 'low', 'medium', and 'high'.. So these impacts were defined based on surveys with all the energy managers in the control room and the operational managers in the control room. They all went through and verified all the data issues, and then sort of verified that they were happy with the allocation of low, medium, high.. They are all relative to one another rather than being a specific amount. We can maybe double check on that for you and see if we do have something. James is trying to do some cost analysis on the PN's and BOA's and we'll hopefully have some figures in December. We have since double checked and confirmed the relative nature of these descriptions. They are based on perceived cost and the frequency that the issue occurs.

Luke: I was wondering if you could do some sort of example to show us a little bit to see what actual implications these have. I'm also thinking we have further discussions on this once you've done a bit more analysis.

David/James: Yes and we will be sharing analysis as we go through the process.

**ACTION:** Set up further discussions on this subject once more analysis has taken place

Matt: We appreciate the proactive nature of sharing this with us. It's great to see. Thank you.

**3. ESO to highlight notable points from the published report**

Metric and RRE scores from latest month and view of first six months were shown.

**4. ESO to take questions on the published report**

Area/Question/Feedback	ESO Response
<p>Luke: Deliverables tracker is hard to understand. Examples are the commentary where it says 'under discussion' or 'on track'. Be good to see these expanded on to give a fuller picture.</p>	<p>Simon: We are aware of this and something we will be looking at for mid scheme.</p>
<p>James: Value for Money section is still not where we would like it. What's missing is still that behavioural side of how is the ESO show value for money? Why did you choose to spend that money? I know we've got the upfront view, but through scheme, why do you decide to spend that money or not to spend that money? And why was that value for the consumer?</p>	<p>Simon: As part of these sessions to start next week, we're planning to have a dedicated one on value for money. We will be bringing our finance and DD&amp;T teams and agree collaboratively to address this feedback.</p>

James: On the metrics and RRE's, I think there's a difference in treatment of the meet expectations window between Role 1 and Role 2. One's applying 5% points and one's applying 5% window. Our intention is for it to be 5% points. So if it's 25%, the window would be 30 to 20 or 20 to 30.

Simon: We will check to make sure it hasn't affected the numbers we have presented.

**ACTION:** Check meeting expectations figures and make sure it is using 5% points methodology.

James mentioned Ofgem have got a few specific points of feedback, but can share them by e-mail separately.

**5/6. Ofgem to give feedback on ESO performance and Mid Year Report**

Area/Question/Feedback	ESO Response
<p>James: Role 3 in 3B and 3C areas. Getting some quite positive feedback around the activities there, such as progress towards the CSNP.</p>	
<p>James: In terms of risk, a specific example is the methodology for the CSNP was asked for several times, wasn't provided, and now the team model is too late to bother, so don't spend resource coming up with that now because you're so far into the work. But it's that level of visibility of it.</p>	
<p>James: Prioritised or resourced where you've been asked to do more and more and we recognise that and that's being asked of you, but it's not clear that you have sufficient resource to do that. But then how are you choosing to resource one activity over another? How is that being communicated back to those teams in terms of there's a risk of this being delayed because we've been told to focus on HND, follow up exercise or CSNP or whatever it is and that's consistent feedback across the 3B &amp; 3C areas.</p>	<p>Simon: So specifically on the CSNP, because I know we've only got the one milestone that covers all of it at the end of the BP2 period, you would like visibility of the timeline or a road map for that to get to that point. Also more of an understanding of other prioritisations working within those areas as well with all the additional work going on.</p>
<p>James: Yes. Also, a lot is talked about the proactivity for you with the industry. But I think it's also about with Ofgem as well. How are you being proactive to bring us on that journey? And that's not necessarily us, ESO regulation team, it's more the business because obviously, especially in that area the contact is not with us, it's with the networks team.</p>	

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James: There was good feedback from our early competition team. There was a report provided to Ofgem in September, unsure of the name, but was an update paper that was pretty good. It showed the thinking and decision making. The request is for more of that type of stuff from future reports would be good. It doesn't have to be a paper. It can be a meeting or whatever, but that's what's missing, that level of insight

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## 7. Review actions & AOB:

1. Reviewed the previous actions as listed above, updates have been noted.
2. AOB

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### Topic

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**Benchmarks 1B and 1C** – Ryan due to send our files across to Luke and Adam to review soon.

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James: Delivery schedule connections reform updates. I've had the response from the team, so I'll get over to you this week. The high level is there's not a lot of success criteria in there and we would like to see that. The other point the team have made is it doesn't incorporate enough of the five point plan or the tactical reforms. So there could be more milestones added to reflect fully that plan. I will send our response to that at some point this week.

**ACTION:** Ofgem to send response to delivery schedule connections reform updates

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Simon: Our teams are keen to get the delivery schedule milestones updated if possible, specifically the balancing programme. In terms of externally publishing statuses against milestones, they're keen to have the CMF and delivery schedule aligned. So the hope is that we can update the delivery schedule with the dates in the CMF. I know you said you needed to discuss internally what that means from a grading perspective, when will we hear from yourselves if you are happy with this?

Luke: I think the delivery schedule is fine. I want to just check that e-mail one more time because I think there might be one day that it didn't match. So I'll just double check that and then I can send something across.

**ACTION:** Ofgem to double check email regarding delivery schedule milestone updates and respond to ESO.

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## Previously Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
54	185	27/04/2023	31/05/2023	All	Separate session to be arranged to discuss improvements to BP2 reporting and meetings. Simon and Matthew to agree slot at weekly check-in.	Closed
58	202	05/09/2023	01/10/2023	All	Agree a date and location by email for Ofgem and ESO to hold an in person meeting to discuss balancing costs.	Closed
58	204	05/09/2023	31/10/2023	ESO	ESO to think about and supply Ofgem what specifically we are doing to drive costs down in relation to external factors affecting balancing costs.	Closed
58	205	05/09/2023	31/10/2023	ESO	ESO to take away and think how they can showcase and track innovative actions vs BAU better	Closed
59	206	02/10/2023	31/10/2023	ESO	Provide a slide in future meetings that show what ESO activities are being done to lower non constraint volumes.	Closed
59	207	02/10/2023	31/10/2023	ESO	Set up separate deep dive session to discuss metric 1C and how the data is currently collected and used to report performance.	Closed
59	208	02/10/2023	31/10/2023	All	Simon to send James an email outlining what ESO what from Ofgem in terms of DER visibility, James can then provide the right names to contact.	Closed