

# Incentives Monthly Monitoring Meeting

## Meeting Minutes (December 2023-24)

### Details

Date: <b>06 February 2024</b>	Location: <b>Teleconference</b>
Time: <b>14:00 - 16:00</b>	Meeting Number: <b>63</b>

### Agenda

Ref	Title	Owner
1	Balancing costs monthly update – Balancing Costs Team	ESO
2	Special Events Operational Strategy process – Cristian Ebau	ESO
3	Net Zero Market Reform – Cian, Izzie, Sarah	ESO
4	CBA template for Mid-Scheme Report – Simon Targett	ESO
5	ESO to highlight notable points from the published report	ESO
6	ESO to take questions on the published report	ESO
7	Ofgem to give feedback on ESO performance	Ofgem
8	Review actions & AOB	All

### Participants

Name	Company
Simon Targett	ESO
Filippos Panagiotopoulos	ESO
Mark Robinson	ESO
Lizzie Blaxland	ESO
David Dixon	ESO
James Curtis	ESO
James West	ESO
Phil Smith	ESO
Nicolas Achury Beltran	ESO
Cristian Ebau	ESO
Cian McLeavey-Reville	ESO

Name	Company
Isabel Sunnucks	ESO
Sarah Keay-Bright	ESO
Zofia Przybyl	ESO
Laura Woolsey	ESO
Yuchang Wang	ESO
Adam Gilham	Ofgem
James Hill	Ofgem
Shubh Mehta	Ofgem
Luke McCartney	Ofgem
Matthew Fovargue	Ofgem

## Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
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
55	187	01/06/2023	30/06/2023	ESO	(Now reworded) 1C associated reporting. <i>Update – ESO working on reporting by region following call with Ofgem.</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 provided data to Ofgem on 17 Nov. Awaiting response from Ofgem.</i>	Open
60	211	14/11/2023	01/01/2024	ESO	Set up further discussions on PN misalignment once more analysis has taken place. <i>Update – This was presented in January OTF. Analysis is ongoing into cost impacts. Should be ready to share in next few weeks.</i>	Open
60	213	14/11/2023	01/12/2023	ESO	Update of delivery schedule on connections reform <i>Update - currently with connections team. ESO to update Ofgem.</i>	Open
60	214	14/11/2023	01/12/2023	Ofgem	Ofgem to double check email regarding delivery schedule milestone updates and respond to ESO. <i>Update – ESO to share update in the next few days.</i>	Open
61	218	05/12/2023	31/12/2023	ESO	ESO to provide update on 1G data issue <i>Update – ESO awaiting timelines for enduring fix.</i>	Open
62	219	10/01/2024	31/01/2024	ESO	ESO to provide a response on the magnitude and impact of the high demand forecasting errors on 6 and 7 November. <i>Update – Filippas has started a process to look at all the days with forecasting errors and their correlation to balancing costs. He will then provide this analysis in a report.</i>	Open

62	220	10/01/2024	31/01/2024	ESO	ESO to provide a response on why the negative £999 bids in November were not manifest errors. <i>Update – Filippas to provide update that will be shared with Ofgem</i>	Open
63	223	06/02/2024	09/02/2024	ESO	<b>NEW</b> Share CBA template for mid-scheme report with Ofgem	Open
63	224	06/02/2024	29/02/2024	ESO	<b>NEW</b> ESO to look into data feeding into constraints calculation for Metric 2Ai and provide an update to Ofgem	Open
63	225	06/02/2024	29/02/2024	ESO	<b>NEW</b> ESO to send Ofgem the slides related to balancing cost projections (part of slide pack).	Open
63	226	06/02/2024	29/02/2024	ESO	<b>NEW</b> ESO to set up an early dip check session to discuss quality of outputs with Ofgem and provide an agenda.	Open
63	227	06/02/2024	29/02/2024	ESO	<b>NEW</b> ESO to send over the information regarding the bridging the gap decision to Ofgem.	Open
63	228	06/02/2024	29/03/2024	ESO	<b>NEW</b> ESO to set up regular engagements between project team and Ofgem regulation team.	Open
63	229	06/02/2024	29/02/2024	ESO	<b>NEW</b> ESO to pass on feedback from Ofgem on data requests related to tCSNP which have been delayed.	Open

## Discussion and Questions

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

### 1. Balancing costs monthly update – Balancing Costs Team

Simon gave an overview of Metric 1A explaining performance v benchmark.

**December balancing costs:** Filippas Panagiotopoulos and Yuchang Wang talked through drivers of the month's balancing costs.

Area/Question/Feedback	ESO Response
Ofgem questioned, regarding STOR, figures on a spreadsheet uploaded to Huddle. The spreadsheet indicates that £6.3 million out of £9.5 million are for non-BM reason reconciliations. Ofgem wanted clarification whether it has been put there because we are unsure where it is in the categories for STOR or if that's the reason why it's the £9.5 million?	Question has been asked to the relevant team and we are awaiting their response, hopefully by the end of the week.

Ofgem asked about a gas BM accepted offer on the 1st December as it seemed relatively high. They wondered if it had been flagged with market monitoring. Also queried if this was just a high offer that's been accepted or caused by another reason?

ESO confirmed it was an accepted offer for this day and happened because there were tight margins and a DFS event took place. The market was informed beforehand.

## 2. Special Events Operational Strategy process – Cristian Ebau

Cristian talked through the Special Events Operational Strategy process and how it was applied to prepare the system operation strategy for Storm Ciarán. The aim of the process is to provide guidance and strategy to the control room during events that require extra consideration when operating the network. Examples of such events include sporting events, state funerals, royal weddings, coronations, and weather warnings. The process involves analysing weather and demand information, frequency response and reserve available, network configuration studies, trading strategy, interconnector power flow, and IT outages. In an example scenario, a weather warning for winter rain associated with the storm was treated as a special event, and a dedicated network operation instruction was produced to cover the system operation over those days. The strategy development focused on wind generation, forecasting reserve and response, transmission network planning, trading strategy, and a review of any IT outages.

## 3. Net Zero Market Reform – Cian McLeavey-Reville, Isabel Sunnucks, Sarah Keay-Bright

The Market Strategy team provided an update on the Net Zero Market reform programme. The team shared work that has been carried out in the last six months, and what work they will be doing in the future. They discussed what value they have provided to industry, DESNZ and Ofgem in the market reform debate. Finished by discussing how they can share progress effectively with Ofgem going forward.

Feedback/Reflection	ESO Response
<p>Ofgem found the information presented to be useful for their understanding and believe that there was still an opportunity for the ESO to demonstrate thought leadership particularly through the REMA workstream in BP2.</p>	<p>ESO confirmed they will continue to engage with industry to draw a clear link between NZMR and REMA. ESO would also look to start more regular engagement between the project team and the Ofgem regulation team.</p> <p><b>ACTION</b> – ESO to set up regular engagements between project team and Ofgem regulation team.</p>

#### 4. CBA template for Mid-Scheme Report – Simon Targett

Simon went through a draft template of how the CBA's could look in the Mid-Scheme Report and asked for initial feedback.

Feedback	Response
Ofgem thought it looked good from what was shown but asked if the template could be shared so they could review and provide thoughts at a later date.	<b>ACTION</b> – Share CBA template for mid-scheme report with Ofgem

#### 5. ESO to highlight notable points from the published report

Metric and RRE scores from latest month were shared.

#### 6. ESO to take questions on the published report

Invited questions and feedback on the published report from Ofgem.

Feedback	Response
Ofgem queried some inconsistencies in the constraints data that was published for Metric 2Ai in both the Q2 and Q3 reports. Non-competitive procurement seems low so Ofgem suggested looking at the data that feeds into the calculation	<b>ACTION</b> – ESO to look into data feeding into constraints calculation for Metric 2Ai and provide an update to Ofgem
Ofgem thought the Open Balancing Platform part of the report was laid out well. They suggested that some points in the report could be expanded upon, such as the outage optimisation, trades, and more detail on what went into the savings.	ESO agreed and said that the plan was to add more initiatives and methodology to calculate savings each month. Discussions to continue on where this information will be published and how to make it more accessible.

#### 7. Ofgem to give feedback on ESO performance

Area/Question/Feedback	ESO Response
Ofgem provided feedback regarding data requests relating to tCSNP which have been delayed. Ofgem also requested a call with the engineering team to discuss planning assumptions for the tCSNP outputs.	ESO agreed to pass on feedback to relevant teams and set up requested call. <b>ACTION</b> – ESO to pass on feedback from Ofgem on data requests related to tCSNP which have been delayed.

## 8. Review actions & AOB:

Simon talked through the previous actions as listed above, updates to these actions are also listed in the table above. No update on Action 220 was given.

- Action 219 – Filip is now analysing all days with forecasting errors and their correlation to balancing costs, and will provide a report on this. The definition of high demand forecast error is unclear and will inform Ofgem once it is defined.
- Action 211 – David Dixon confirmed that ESO have shared some of the analysis, related to PN misalignment, with Ofgem earlier this week on the behaviour of particular units. More information will be given during a session scheduled for Thursday.

## AOB

- **Balancing cost projections** - Laura Woolsey provided an update on their work to produce a long-term projection of balancing costs and show savings associated with ESO initiatives to reduce balancing costs. The team plans to share a full version of the work later in March and is open to feedback on how they are presenting the information. **ACTION** – send Ofgem the slides related to balancing cost projections (part of slide pack).
- **Quality of Outputs** - Proposed having an early meeting to discuss the quality of outputs and where ESO should focus their evidence. Ofgem agreed and requested an agenda be set beforehand. **ACTION** – set up an early dip check session to discuss quality of outputs with Ofgem and provide an agenda.
- **RDP** – Discussed the RDP regular engagements and mentioned that the RDP team is keen to set up some regular engagement, possibly every 6 weeks. James mentioned that he will check if anyone else should be invited but in the first instance it should just be him.
- **Mid-Year feedback discussions** – Invited feedback from Ofgem of the recent sessions around RDP and net zero reform etc and whether they have found them useful. Ofgem had found them useful and feel it's good to have these touch points where ESO need any clarification or there's something ESO want to showcase more deeply.
- **Bridging the gap** – Informed Ofgem that the strategy team decided not to do it for the second year of BP2 due to overlap with the advisory role. Ofgem was not aware of this decision **ACTION** – ESO to send over the information regarding the bridging the gap decision to Ofgem.

## Previously Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
60	210	14/11/2023	01/12/2023	ESO	Lizzie to see if review of storm events can be shared externally, send across if ok.	Closed
61	215	05/12/2023	31/12/2023	Ofgem	Ofgem to think about what topics they would like to see covered in the monthly meetings early 2024.	Closed
61	216	05/12/2023	19/01/2024	ESO	ESO to provide response regarding what goes into ESO reasoning when planning CNI outages?	Closed
61	217	05/12/2023	31/12/2023	ESO	Provide more detail regarding the Czech Republic TSO CEPS going into Alert state on the European Awareness System (EAS) for loss of tools and facilities.	Closed
62	221	10/01/2024	19/01/2024	ESO	ESO to arrange follow up meetings on the subject of several areas of mid-year feedback.	Closed
62	221	10/01/2024	19/01/2024	ESO	ESO to share list of Ofgem / DEZNZ at recent balancing costs engagement session.	Closed
62	222	10/01/2024	31/01/2024	ESO	ESO to arrange follow up meetings on the subject of several areas of mid-year feedback.	Closed