

Incentives Monthly Monitoring Meeting

Meeting Minutes (January 2023-24)

Details

Date:	08 March 2024	Location:	Teleconference
Time:	10:00 - 12:00	Meeting Number:	64

Agenda

Ref	Title	Owner
1	Balancing costs monthly update – Balancing Costs Team	ESO
2	Supplementary evidence for Role 1 Metrics – BP2 Y2	Ofgem
3	OTF survey high level initial update – Katherine Munns	ESO
4	ESO to highlight notable points from the published report	ESO
5	ESO to take questions on the published report	ESO
6	Ofgem to give feedback on ESO performance	Ofgem
7	Review actions & AOB	All

Participants

Name	Company
Simon Targett	ESO
Filippos Panagiotopoulos	ESO
Mark Robinson	ESO
Lizzie Blaxland	ESO
David Dixon	ESO
Katherine Munns	ESO
Jill Wells	ESO
Yuchang Wang	ESO

Name	Company
Ryan Carson	ESO
Laura Woolsey	ESO
Nicolas Achury Beltran	ESO
Jethro Browell	ESO
John Walsh	ESO
James Hill	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 – Filip to provide overview of situation to close action down</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. 1C discussion taken place - awaiting confirmation on 1B</i>	Open
60	213	14/11/2023	01/12/2023	ESO	Update of delivery schedule on connections reform <i>Update – Milestones now with Ofgem to feedback.</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 <i>Update – Filippos 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. Provide update in mid-scheme report</i>	Open
63	224	06/02/2024	29/02/2024	ESO	ESO to look into data feeding into constraints calculation for Metric 2Ai and provide an update to Ofgem <i>Update – Awaiting full update from team, ESO to send response so far</i>	Open
63	227	06/02/2024	29/02/2024	ESO	ESO to send over the information regarding the bridging the gap decision to Ofgem. <i>Update – Information sent and Ofgem to now review and provide feedback. Internal meeting scheduled between teams (15 March)</i>	Open

63	228	06/02/2024	29/03/2024	ESO	ESO to set up regular engagements between project team and Ofgem regulation team. Update – awaiting update from the relevant team	Open
64	230	08/03/2024	29/03/2024	ESO	NEW - ESO to send STOR question answer to Ofgem	Open
64	231	08/03/2024	29/03/2024	ESO	NEW - ESO to provide clarity on constraints costing by separating import and export constraints.	Open
64	232	08/03/2024	29/03/2024	ESO	NEW - ESO to contact relevant owners of RRE 2E make aware of feedback	Open
64	233	08/03/2024	29/03/2024	ESO	NEW - ESO to contact relevant owners of RRE 1J to make aware of feedback	Open
64	234	08/03/2024	29/03/2024	ESO	NEW - ESO to send summary of minor components issue and its status to Ofgem to close action 133.	Open

Discussion and Questions

Introduction by Simon about what will be discussed and the agenda. Also introductions were given by new people on the call.

1. Balancing costs monthly update – Balancing Costs Team

January balancing costs: Yuchang Wang talked through drivers of the month’s balancing costs.

Area/Question/Feedback	ESO Response
Ofgem enquired about the STOR query raised in the last meeting. “What is the reason for the high cost in December for STOR?” Wanted to know if we had looked in to it and had an update.	We have looked in to it and have got an answer for Ofgem. This will be provided after the meeting via email. ACTION – ESO to send STOR question answer to Ofgem
Ofgem wanted to know where the costs for the 11 March Balancing Reserve auction would be going and to what category they’re going to?	We said the plan was to report it as its own category, this will help to track it better. We are hopeful it will reduce costs from some of the other reserve categories.
Ofgem asked what led to the action that was taken that resulted in MEDP-1 being ordered at £130/MWh instead of RYHPS-1 (£186/MWh), resulting £300,000 savings?	Originally instructed the expensive unit however we could change that action part way through the period, which was cheaper, and that’s why for the whole period the savings is £300,000.

Ofgem wanted clarification on the constraint costing for England and Wales. The drop of 58GWh in volume of the total actions, mainly due to a decrease in import constraint by 200 GW hours implied to Ofgem that nearly 140 GW hours provided an increase somewhere else.

We discussed the total constraint cost and volume in a specific area, including both export and import constraints. Looking at the import constraints actions from December and January only, there was a decrease in input constraint actions in January. We suggested having a clearer narrative in this section in the future by separating import and export constraints.

ACTION – ESO to provide clarity on constraints costing by separating import and export constraints.

Ofgem wanted clarity that the minor components for this year is accurate? Bearing in mind the historic data set still is not accurate? Are ESO still concerned about the implications of changing the data set.

We confirmed this was correct. It's a problem that we had from the previous year. We also know where the problem is, but we can't change it in the database because of the concerns about breaking the data set. The minor components value for this year is correct.

Ofgem enquired about the wind curtailment map and asked if the circles were relative to an actual number or to the month displayed. Specifically, in December, as there was more curtailment, so circles should be bigger in comparison to the current month or if they were only contained within the displayed month on the chart.

We explained it should be bigger but we don't have a lot of space to show it. We compress the graph to make it fit. We offered to send the two graphs to Ofgem so it can be clearer for them. Ofgem didn't need them now but will ask if they do require them in the future.

Ofgem questioned the different cost categories slide. Saying it shows ancillary services at 2.94 million on January 17, which correlates with DFS. Does the green bar show the cost of ancillary service energy or the cost of ancillary services with all availability payments included?

We confirmed it includes any availability payments.

2. Supplementary evidence for Role 1 Metrics – BP2 Y2

Ofgem wanted to discuss potential supplementary evidence that could be provided for Metrics 1A and 1C. Ofgem confirmed they have had discussions with the forecasting team regarding improving Metric 1C. They are considering small changes in the second year of BP2 and supplementary evidence to factor into the reporting of the metric. They also discussed what kind of supplementary evidence could be used for Metric 1A reporting during other discussions.

Feedback/Reflection	ESO Response
<p>Ofgem invited discussion as to what could be changed for the rest of BP2 or what other evidence could be provided to help improve Metrics 1A and 1C.</p>	<p>In terms of 1C, we have made some provisional proposals for subtle changes to the metric already. We pitched some for changes for the forthcoming financial year and some for the year after FY26. These proposals would give us the opportunity to correct any deficiencies that were exposed on a daily basis in the current day ahead 1C Metric.</p>
<p>Ofgem understands it is hard to come up with solutions now but it was just to see if there is anything easy that can be introduced now to help.</p>	<p>We have had ongoing discussions throughout the year about Metric 1A and whether breaking out the wind component into the different countries would be a better way of measuring. However, we have not landed on a position that it would make the metric any stronger. We are open to discussing proposals on this matter. There is an ongoing internal analysis of the link between forecasting errors and balancing costs, which is not an easy question to answer. A project with Imperial is kicking off soon to help us with this question, and we will keep Ofgem updated on its progress. We will be providing all the data for Imperial to conduct a causality study of all the different factors driving balancing costs. However, we are not expecting any results before September.</p>
<p>Ofgem wanted to stress that it is important that it's not about changing the metrics or what the metrics are trying to show. It's about giving ESO the opportunity to showcase your performance underneath those metrics.</p>	<p>Suggested a separate balancing costs report to sit alongside the incentives report might be an idea for the future. Or maybe produce an annual balancing cost review document in April for the first time subject to exec approval.</p>

3. OTF survey high level initial update – Katherine Munns

Katherine provided a high-level view of the OTF survey completed in December of last year. The survey was sent to over 1000 registered external parties, but only 40 responses were received. Despite the low response rate, the feedback provided was detailed and useful. Katherine noted that the lack of response from the other 1000 people may indicate that they are satisfied with the service. Not only did Katherine give a high level summary but also discussed; example question with responses, positive, negative, contradictory and out of scope comments. Also potential future topics for the OTF and a high level timeline for the future.

4. ESO to highlight notable points from the published report

Metric and RRE scores from latest month were shared.

5. ESO to take questions on the published report

Invited questions and feedback on the published report from Ofgem.

Feedback	Response
Ofgem would like to see more detail related to RRE 2E in terms of trends or the actions that ESO took. They would like to see a picture of the full year in the upcoming mid-scheme report.	ACTION – ESO to contact relevant owners of RRE 2E make aware of feedback
Ofgem would like to see more detail on planned outages for RRE 1J when they occur within the month. Information such as when that outage was and did it come during a period which was not particularly difficult for the control room.	ACTION – ESO to contact relevant owners of RRE 1J to make aware of feedback

6. Ofgem to give feedback on ESO performance

Area/Question/Feedback	ESO Response
Ofgem have had some industry feedback recently around skip rates. Need to try and clarify what that guidance is and how much has changed to make sure it's clear to the industry. People in the ESO are already aware of this issue	ESO noted the feedback and that the right people are already informed and aware.
Ofgem reflected on the two-step process connections letter. If there are any questions, they can be directed to James at Ofgem.	Noted by ESO

Ofgem noted this positive feedback and will pass on.

Balancing costs team had feedback regarding wind analysis that David recently shared. We are grateful for the feedback because it goes to our execs. We wanted to say thank you for the feedback. It has a positive impact on what we can share in future sessions. It gives us the leverage we need to push this stuff through and out to the audience.

7. Review actions & AOB:

Simon talked through the previous actions as listed above, updates to these actions are also listed in the table above. Notable updates include:

- Action 133 – ESO confirmed it is hard to make changes to core databases in order to try and resolve. However they are aware of where the issue is and keep an eye on it. August 2023 to February 2024 data will stay as it is now. Ofgem happy to close with explanation provided by email. **ACTION** – ESO to send summary of minor components issue and its status to Ofgem to close action.

AOB

- **A15 CBA** – Discuss further with Ofgem outside of this meeting.

Previously Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
60	211	14/11/2023	01/01/2024	ESO	Set up further discussions on PN misalignment once more analysis has taken place.	Closed
60	214	14/11/2023	01/12/2023	Ofgem	Ofgem to double check email regarding delivery schedule milestone updates and respond to ESO.	Closed
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.	Closed
63	223	06/02/2024	09/02/2024	ESO	Share CBA template for mid-scheme report with Ofgem	Closed
63	225	06/02/2024	29/02/2024	ESO	ESO to send Ofgem the slides related to balancing cost projections (part of slide pack).	Closed
63	226	06/02/2024	29/02/2024	ESO	ESO to set up an early dip check session to discuss quality of outputs with Ofgem and provide an agenda.	Closed
63	229	06/02/2024	29/02/2024	ESO	ESO to pass on feedback from Ofgem on data requests related to tCSNP which have been delayed.	Closed