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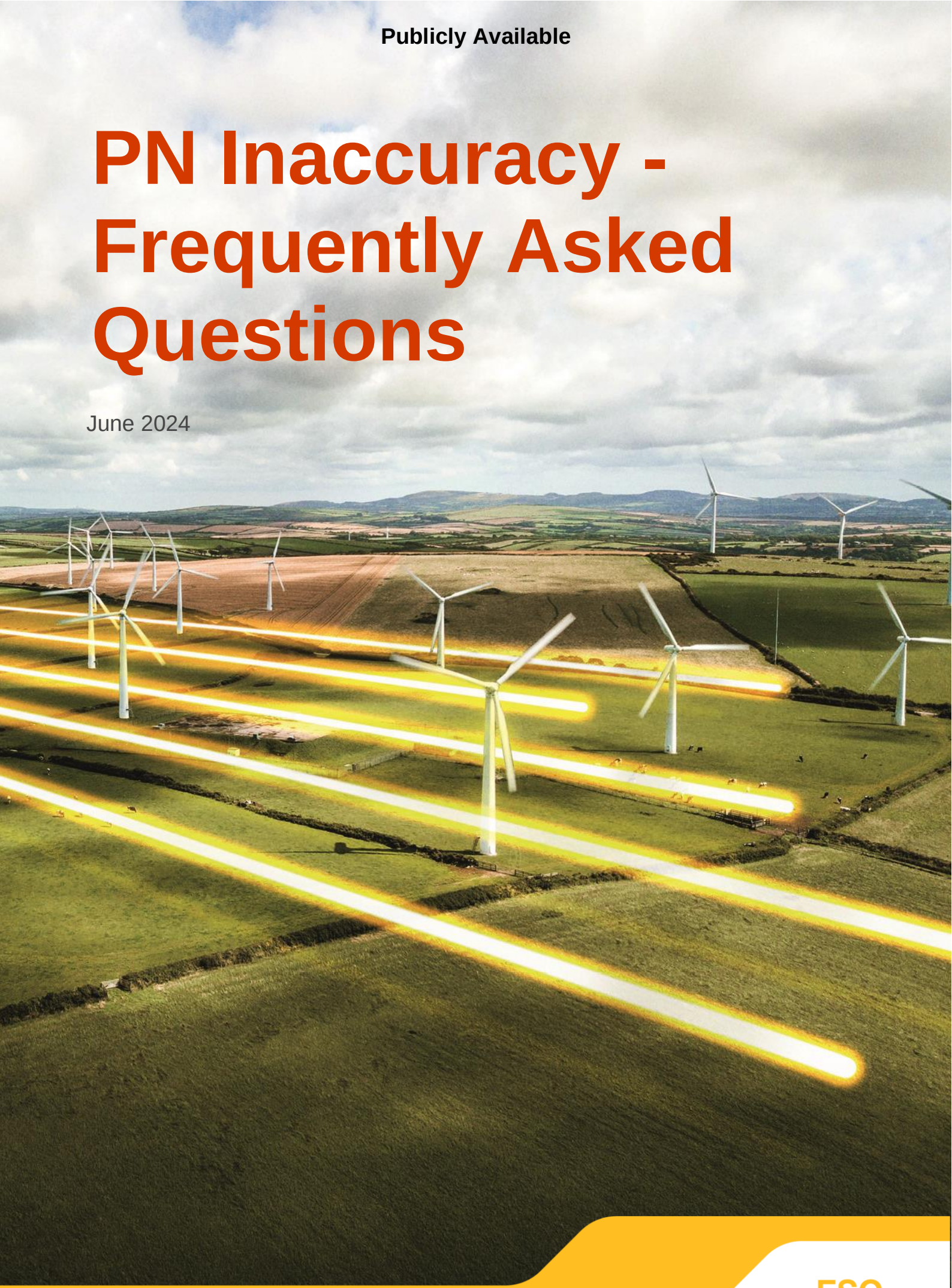
PN Inaccuracy - Frequently Asked Questions

June 2024



ESO

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Open Letter and Guidance Note

- When did you start looking into this issue?

System Operations have been investigating a suite of issues around the accuracy of information submitted to the control room by BMUs since the middle of last year. Of the information submitted, inaccuracy of PNs is the most important due to its relative impact on system security and balancing costs. The inaccuracy of PNs from wind BMUs has been an issue for some time, which is why we have been engaging with industry over the last several months. The accuracy of wind PNs is of particular concern due to the prevalence of actions taken on these units, and the average levels of inaccuracy, which are much higher than other BMU types.

Due to the nature of the issue and the variety of stakeholders involved, it has taken time to come to an agreement on how best to approach and manage this issue, between the ESO, Ofgem, DESNZ and industry.

- Will we have a chance to engage further with the ESO before the publication of the draft Guidance Note?

We have previously engaged with industry through the Wind Advisory Group and the Operational Transparency Forum (OTF) and have encouraged participants to speak to us individually over the last few months. The draft Guidance Note was published on the 5th June. There is a consultation period of three weeks to allow for feedback from industry, which closes on Wednesday 26th June. The Finalised Guidance Note will then be published, which will state the date at which the Monitoring Procedure will begin. If you have a specific query before then please reach out to marketreporting@nationalgrideso.com. We will be engaging with BMUs throughout the monitoring period.

- Good Industry Practice for PNs is a vague requirement. Does the ESO plan on being more specific on defining PN accuracy for wind?

The intention of this piece of work is to provide industry with clearer guidance on how Good Industry Practice may be interpreted specifically in relation to the codes mentioned in the OTF presentation (05/06/24) and the draft Guidance Note that relate to Good Industry Practice. There are also some longer-term solutions to resolving PN inaccuracies that involve code changes. However, to resolve this issue as soon as possible, we are aiming to work within the current codes to better clarify an interpretation of these defined terms.

- Has the ESO considered increasing the Information Imbalance charge? This would provide an incentive to increase FPN accuracy and would not require a significant code change.

The Information Imbalance charge is presently set to £0/MWh, a non-zero value would be an optionality to provide a commercial incentive for accurate data submission. However, presently the view of ESO is that accuracy of data is not a commercial parameter and that it should be accurate at all times as a compliance issue. Should actions such as those proposed within this monitoring process not be sufficient there is optionality for any party to raise a BSC modification that might look to change this. It is possible that an Information Imbalance charge greater than £0/MWh could help remediate this issue in the future and in the longer term.

- In your accuracy check, is the data 'cleaned' to only check BMU's that haven't received BOA's? Wind farms that are bid off will look a lot more accurate than ones that are generating.

Yes, we use a measure called the Capped Committed Level (CCL) to understand the expected output of each unit, which is a PN as adjusted for any Bid Offer Acceptances or capped by the Maximum Export Limit as defined in the Grid Code.

- The open letter mentions other information inaccuracies. Can we expect a similar methodology to address those issues as well?

Currently the proposed solution outlined is only applicable to PN inaccuracy. We are investigating the other information inaccuracies and will consult with industry on any proposed solutions in due course. Feedback on

resolving other information inaccuracies is welcomed, and should be sent to marketreporting@nationalgrideso.com.

- Will generators who submit consistently inaccurate PNs be publicly named?

No, we will not be publicly naming generators who submit inaccurate PNs and will engage with individual BMUs to improve their data submissions. However, should anyone wish to verify their own accuracy, the data is publicly available via the Elexon portal.

- We have noticed that some generators aren't following their PNs and would like to report them. Who should we report them to?

If you have reason to believe that a generator is engaging in unfair market practices, please report them to our Market Monitoring team (marketreporting@nationalgrideso.com) or to Ofgem directly (market.conduct@ofgem.gov.uk).

- What would you expect penalties to be for PN inaccuracy?

The ESO does not have enforcement powers in the codes. It is up to the regulator to determine enforcement action. This is a process that the ESO are incorporating into our monitoring work. We have a specific role to 'monitor the quality / accuracy of information received from market participants'. If these standards are not met, it will be the intention of the ESO to raise that as a notice to Ofgem.

We acknowledge that these thresholds are not an exhaustive interpretation of what may be considered Good Industry Practice. If, throughout the monitoring process it has been identified that there are extenuating circumstances leading to these thresholds not being met, the ESO will factor this into its decision to raise the inaccuracy to Ofgem.

Thresholds & Monitoring Period

- Are there plans to make all generators regardless of type follow a similar threshold?

Wind PN inaccuracy has been prioritised due to the prevalence of actions taken on these units, and the average levels of inaccuracy, which are much higher than other BMU types. However, we'd expect all BMUs to be submitting accurate PNs in accordance with Good Industry Practice, regardless of whether thresholds are enforced or not. We will be monitoring the accuracy of all BMUs and should other fuel types show similar levels of inaccuracy to wind BMUs, then the ESO will look at establishing Good Industry Practice for these units.

- Can we expect these thresholds to change once implemented, and if so how often will they be reviewed?

Following the publication of the draft Guidance Note on 5th June 2024, there will be a three-week consultation period where we welcome feedback from across industry. This consultation period closes on Wednesday 26th June. Once the finalised Guidance Note is published, we determine that the Guidance Note will be reviewed annually, but this doesn't mean the threshold will stay at the top 10%. We are also concurrently developing a long-term solution.

- Why would the ESO want to avoid an ever-increasing boundary for Good Industry Practice? Surely that's the goal; as control systems and forecasts improve over time, and units prove that higher accuracy is possible, then best industry practice means a higher bar.

It would be ideal for the ESO to have perfectly submitted accuracy of FPNs. However, due to the nature of the intermittency of these units, and the gate closure times when FPNs are submitted, it is unreasonable to expect an ever-increasing level of accuracy given the errors associated with forecasting wind generation.

As outlined before, periodic review of the suitability of the published Guidance Note is the intended process as compared with a fixed expectation that units will always conform to the top 10% of performance year on year.

The purpose of the Guidance Note and of the process outlined is that this is a flexible non-codified document that supports this continuous improvement and provides visibility on ESOs current view as to Good Industry Practice being employed.

- The thresholds are too harsh, and we are unable to meet them.

The threshold and the process we have outlined has been established to identify a level of accuracy that all wind BMUs should be able to meet. We are measuring our thresholds on both the Net Percentage error and the Absolute Percentage error. This is because if the errors in PN inaccuracy were randomly distributed the Net Percentage error would be 0%, despite there being both overstating and understating of PNs. This means we use the Absolute Percentage error to take this into account and provide a second criteria for accuracy.

There is ample opportunity to engage with the ESO on these thresholds, and we will work with industry to improve their accuracy should inaccuracy continue. We encourage participants to reach out to us if they are unable to meet these thresholds, either directly (by contacting marketreporting@nationalgrideso.com) or by providing feedback on the draft Guidance Note during the consultation period, which closes on Wednesday 26th June. We will also be holding an initial education workshop around common inaccuracies that the ENCC have observed.

- These new standards surely encourage generators to be less accurate if their PN's are already under the threshold?

We will be monitoring the accuracy of all units, whether or not they currently meet the threshold. The ESO expects all BMUs as market participants to be submitting accurate PNs in accordance with Good Industry Practice. However, if a generator that previously was very accurate with submissions now is less accurate, this would be investigated.

- Will the monitoring be looking at the last 3 consecutive months or 3 over X period? Additionally, a Guidance Note is normally non-binding so how will this assist your enforcement?

The Guidance Note will provide greater clarity on specific timelines. However, while it includes provision of retrospective data to inform asset operators on their performance the monitoring period starts itself from the final Guidance Note publication.

While the Guidance Note itself is non-binding, the concept of employing Good Industry Practice is already core within the Grid Code. This provides clarity on the expectations and process that will be used by ESO for the information and consideration of if asset operators are employing Good Industry Practice.

We will work with Ofgem to support any enforcement actions as needed across this process, but the ESO are not the direct enforcement agent.

Other questions

- Has the ESO compared the imbalance performance to the FPN performance, and is there a disconnect between ECVNs (Electricity Contract Volume Notifications) and FPNs?

The specific concerns outlined relate to the delivered settlement metering compared with the indicated delivery volumes from Balancing Mechanism (BM) data. This is the interaction which causes operational issues and direct costs in the BM whereas differences between FPNs and ECVNs are subject to imbalance. While intentional imbalance in large volumes may also lead to operational or cost issues, this is not captured within the current PN inaccuracy work.

- Will flexible assets/VLPs (Virtual Lead Parties) be subject to greater scrutiny regarding FPNs? It has been noted that several of these assets submit inaccurate FPNs, some of which are worse than wind.

As outlined in both the letter and the draft Guidance Note, the same principles provided for within this process targeted at wind BMUs can apply to any technology type. While we appreciate that there are several units inclusive of flexible and VLP assets which also have similar levels of inaccuracy to those identified within wind

BMUs we are using a cost and impact-based prioritisation and given the capacity of wind installed and the size of these wind BMUs they have a much greater impact on cost and operations. As stated previously it is expected that all units should employ Good Industry Practice and that their FPN should be their best expectation of the units' output.

- How do the 10% threshold values for wind (0.94% & 15.37%) relate to the CCGT PN inaccuracy values on slide 12(about 2.5%)? [OTF 05/06/24]

As can be seen from the distribution graphs there is an industry-wide prevalence of error in these units. This does not mean that all units are always inaccurate, all the time. Now that these thresholds have been established, the ESO anticipates that BMUs will now have an achievable target that they should aim to at least meet in each month. Currently, only 10% of instances meet these thresholds.