Public

FPN Good Industry Practice Consultation December 2024.

As part of our continuous efforts to align with industry best practices and following additional feedback we have received during the education period we are launching a new 5-week targeted consultation on the Guidance Note – Good Industry Practice in relation to FPN Accuracy (Grid Code BC 1.4.2(a)) issued by NESO.

We would like to understand from the wider market of wind generators and optimisers participating in the Balancing Mechanism if it would be beneficial to clarify NESO's views on Good Industry Practice in relation to the preparation of PNs within its FPN guidance note. Outlined below are a series of proposals from NESO. Please review these and provide your preferences by 10th January 2025.

Proposal 1

Some feedback received focuses on the need for principles that should be applied to prepare PNs in accordance with Good Industry Practice.

NESO proposes to introduce the following non-exhaustive examples of practices that NESO may consider in its view of whether Good Industry Practice is being followed by wind generators in the preparation of PNs:

- Data used for preparing PNs is derived from forecasts that are of at least equivalent quality, frequency, and timeliness as those used for energy trading.
- Wind forecasts and models used in generating a PN are updated at least hourly.
- Wind forecasts and models used for the preparation of final physical notifications are no older than one hour before gate closure.
- The best expectation of output should be delivered at all times. Whenever the expected output of the unit changes due to updated forecast data or new model outputs, this is reflected in the physical notification.
- The model does not have any built-in directional bias.
- The model used for preparing a PN is reviewed at least biennially.

These practices have been developed based on discussions with wind market participants that own or operate onshore and/or offshore assts that demonstrate high levels of PN accuracy according to NESO's benchmarking analysis, as well as NESO's balancing engineers.

By establishing this non-exhaustive list of principles, NESO may ask generators to demonstrate how they are applying these principles if it is identified that the thresholds set out in the FPN guidance note are consistently unmet. This will be considered in NESO's decision on whether to report the behaviour to the regulator.

Question 1a: Do you agree that NESO should outline examples of practices for preparing PNs that it may consider in its view of whether Good Industry Practice is being followed by wind units in the BM?

Question 1b: Do you consider it feasible to apply these principles?

Question 1c: If you think there are alternative practices that NESO could usefully consider in its view of whether Good Industry Practice is being followed, please provide suggestions.

Proposal 2

Within the FPN guidance note under section 2. Objective, NESO highlighted throughout the monitoring period there may be some extenuating circumstances uncovered that prevent a unit from achieving the threshold levels consistently. *"If, throughout the monitoring process it has been identified that there are extenuating circumstances leading to these thresholds not being met, NESO will factor this into its decision to raise the inaccuracy to Ofgem."*

Feedback has been received during the education period that for specific units or groups of units meeting published accuracy standards may not be possible given individual site characteristics, with a request for further clarification on how these would be treated within the FPN guidance note. NESO recognise that there are varied reasons why specific units might not meet the proposed thresholds and that establishing an exhaustive list may not be practical. Therefore, we propose to expand on the way in which extenuating circumstances are described in the document, focusing on the process we would look to implement.

"Throughout the monitoring process, NESO will establish through engagement with operators of units not meeting thresholds if there are any site-specific reasons that thresholds may be unachievable for a BMU or a group of BMUs. If, throughout the monitoring process it has been identified that there are extenuating circumstances leading to these thresholds not being met, NESO will factor this into its decision to raise the inaccuracy to Ofgem."

Question 2a: Should NESO implement this change in description for extenuating circumstances?

Question 2b: If not, are there alternative changes that could be made which better recognise site specific considerations?

Proposal 3

Finally, we have reassessed the Onshore-Offshore split of the wind units that set the Good Industry Practice benchmark[1] as interpreted by NESO and identified a discrepancy in our understanding of the classification of certain units. This discrepancy meant that when the figures were recalculated, we found offshore units were overrepresented in the thresholds set out in the FPN guidance note.

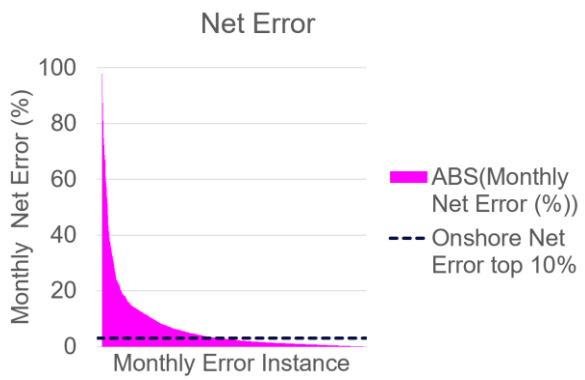
The recalculated thresholds based on the accurate split of Onshore-Offshore asset performance, result in the following figures:

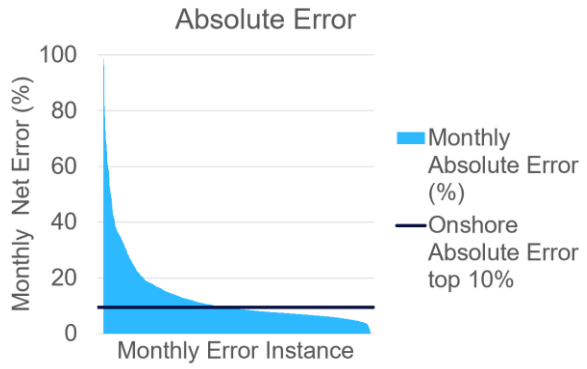
	Published (aggregate)	Onshore (new)	Offshore (new)
Net	±2.6%	**±3.0%**	±2.0%
Absolute	8.9%	**9.4%**	8.3%

To ensure consistency and transparency in the monitoring process, NESO suggests that all wind units participating in the Balancing Mechanism adhere to the same standards. NESO propose that both Net and Absolute error metrics considered in the FPN guidance note are set to the standard achieved by performance of Onshore units based on the same methodologies laid out in the FPN guidance note.

[1] The net error is defined as the difference between the FPN and the actual metered output in a settlement period, whereas the absolute error is the absolute value of the net error in a settlement period.

Based on the proposal, with thresholds for both onshore and offshore wind to be set at the same standard of a net percentage error of **±3.0%** and an absolute error of **9.4%**. Using monthly BMU PN accuracy data from 2023, these thresholds would be closely aligned to median performance. While significant reductions in net and absolute errors have been observed in 2024 data this is not considered in revising any error thresholds.





Question 3: Do you agree that the thresholds used should be set to the standards achieved by Onshore units or should the previously published aggregate values be used?

Following the closure of the consultation on **10th January 2025** NESO will take time to review all feedback provided from the market and publish a revised FPN guidance note by 10th February 2025, with the monitoring period scheduled to commence from 1st March 2025.

Thank you for taking the time to review and provide feedback on this consultation document.

Your insights and contributions throughout the education period have been valuable to ensuring a fair and balanced process.

Please submit your response by 17:00hrs on 10th January 2025. If you have any questions or require further information, do not hesitate to contact us at MarketReporting@nationalenergyso.com.

Thank you once again for your participation.