

Monthly Monitoring Meeting

Thursday 28th February 09:00 – 10:30

Teleconference

AGENDA

Ref'	~Time	Title	Owner	Resolution required?
1	N/A	Actions from previous meeting	<i>Technical Secretary</i>	
2	90 min	<ul style="list-style-type: none">• Monthly monitoring meeting:<ul style="list-style-type: none">○ Discussion of questions provided on the January report• Forward looking/strategic items:<ul style="list-style-type: none">○ Forward Plan FY19 – 21: Performance panel report and proposed 15th April meeting agenda○ End of Year Report FY18-19 guidance and approach○ Incentives FY18-19 end of year process & panel event• Monthly ESO/Ofgem meetings agenda revision	ESO	

Meeting record

Monthly Monitoring Meeting

Meeting number 10

Date: 28th
February

Present: Ofgem: KN, MK; DB; GT

National Grid: *MP; HL, LS,*
SM

Time: 09:00 –
10:30

Venue/format:
Ofgem Offices
London

Teleconference

ACTIONS

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
1.	1.	30/5/18	15/6/18	HK	Agenda to be updated to reflect new item for discussion	Closed
1.	2.	30/5/18	15/6/18	JD	Formal write up of the feedback received to the first month report	Closed
1.	3.	30/5/18	15/6/18	SB	Providing any further thoughts on how the summaries per principle could be written to provide clear evidence	Closed
1.	4.	30/5/18	15/6/18	SB	Dates to be shared for monthly meetings, and tentative dates for half year and end of year panel dates	Closed
1.	5.	30/5/18	15/6/18	SB	Lines to take/ Summary of process for panel events	Closed
2.	6.	28/6/18	27/7/18	HK	ESO look at wording in the charging circular email and more clearly explain the basis of the incentive	Closed
2.	7.	28/6/18	27/7/18	CC	Detailed articulation of BSUoS billing metric and how it relates to CUSC	Closed
2.	8.	28/6/18	27/7/18	GT	Share guidance on how the roles and principles under 18-21 incentives can be used and shaped as part of the RII02 Business Planning Activities	Closed
2.	9.	27/7/18		HK	Ofgem asked for an understanding of what data would be included within the informational portal.	In Progress

3.	10.	27/7/18		HK	The ESO promised to provide the work in progress versions of principles 4, 5 & 6 and organise a meeting between the ESO and Ofgem to discuss	Closed
3.	11.	27/7/18		DB	Ofgem to confirm contacts for the ESO to engage with regarding the data task force	Closed
3.	12.	27/7/18		HL	Organise a meeting with the metric 4 owners to provide further explanation on the detail metric.	Closed
3.	13.	27/7/18		HK	The ESO to provide responses to the following questions about the auction trial: what had stakeholders said about the delay? Have we tested the reasons explained within the report with stakeholders? Were any alternatives considered (e.g. more resources)? What alternative actions might the ESO take in the interim to help support outcomes expected from the auction trial?	Closed
3.	14.	27/7/18		DF	Provide an update on any further stakeholder feedback received on the Roadmaps and asked what actions are the ESO taking to improve the stakeholder survey scores mentioned within the report.	Closed
3.	15.	27/7/18		HL	Provide more detail behind the re-prioritisation of codes mentioned in the Q1 report and organise a meeting to discuss this further.	Closed
3.	16.	27/7/18		HL	Clarification on the statement around the C27 licence mentioned within the report.	Closed
3.	17.	27/7/18		JD	Where possible, publish the responses of received to the Forward Plan Consultation on the NG website	Closed
4.	18.	29/8/18		HK	The ESO to respond to email sent from Ofgem regarding dispatching actions taken under principle 2	Closed
4.	19.	29/8/18		DB	Ofgem to share the feedback that they had received around the ESO taking a more proactive role in the ENA Open Networks	Closed
4.	20.	29/8/18		DB	Ofgem to organise a meeting to discuss the lessons learned and potential changes for next year's incentives year	Closed
4	21	29/8/18		HK	Provide further detail behind balancing costs on 28/29 July, including why the forecasts were incorrect and whether any lessons have been learned.	Closed

5	22	28/9/18		HK	Carbon Intensity- Why did we prioritise this information to share	Closed
10	23	28/02/19		SM	Share with Ofgem how Energy Forecasting team calculates its year-on-year performance measure	Open
10	24	28/02/19		SM	Share with Ofgem how the monthly BSUoS forecast is done, and what ESO can leverage to improve the quality of the forecast.	Open
10	25	28/02/19		GT and LS	Look at options for hosting EOY event, regarding costing, location, organisation.	Open
10	26	28/02/19		ESO	Propose monthly meetings agenda format.	Open

MAIN ITEMS OF INTEREST

Monthly monitoring meeting:

Ofgem and the ESO discussed some pre-shared questions.

- **Question:** Metric 4 – what key steps did the ESO take to achieve the performance levels in January? Was this a result of previous improvements or something new? Where there any other key outside factors impacting performance levels in January (aside from the Triad Avoidance)?

Answer: ESO stated that on-going process improvements delivered throughout the year are contributing to positive performance for the DA demand forecast accuracy. Annual year-on-year improvement in accuracy is 7%.

January weather was also a contributory factor to the good performance, in that the provisional UK mean temperature was near seasonal average (3.7 °C), both mean maximum and minimum temperatures were also close to the normal over much of the country. Sunshine was also almost near average conditions helped us improving our forecasting predictability and resulted good performance for the month.

Ofgem asked if ESO can share how the year-on-year performance is calculated, action on ESO to look into this.

- **Question:** Balancing hotspots / Metric 5 – the report highlights “Several days of high constraint costs were driven by periods of high wind and low demands, which also contributed to RoCoF spend.”
 - Could you provide any further information to help us understand what caused costs to be higher than the monthly benchmark? E.g. are Scottish

generation outages still having an impact? (From what we can tell, wind output was the same/below January last year)

Answer: ESO suggested that a better way of looking at balancing cost performance would be to compare outturn with our monthly BSUoS forecasting reports (see <https://www.nationalgrideso.com/balancing-data/forecast-volumes-and-costs>). ESO explained that the benchmark cost is created at the beginning of the year using historical data and adjusters. However, ESO also forecast month-ahead BSUoS using closer to real-time information and data. The month-ahead forecast for January, published in the BSUoS report for December, was £85.9m (excludes Black start). The outturn for January was £77m, indicating better cost performance than expected. The benchmark cost was £65.8m.

From the monthly BSUoS Forecast report:

“Comparing the month ahead forecast published in the December report. Outturn costs for January were £9.1m lower than forecast. The main drivers were £5m less managing Operating Reserve than expected, and £4.6m less on Energy Imbalance due to a long market in January.”

High costs were experienced on weekend days 12th and 13th (£6.8m constraints) and 27th (£6.3m constraints), due to high wind output combined with low demands, causing high constraint costs in the affect parts of the network, further details are in the hotspot report.

Ofgem expressed some initial reservations about this approach, particularly without an understanding of how these forecasts were developed. Ofgem stated that the benchmark seemed like a better starting point for conversations about what’s happening with costs and that they did not want to chop and change benchmarks throughout the year. Ofgem noted that there inevitably going to be deviations from this benchmark for reasons outside of ESO control but that the framework allows the ESO to provide the reasons why. The ESO needs to explain the difference between outturn and benchmark based on what’s changed from the previous year (for example, particularly windy weather, out of the ordinary outages etc.).

ESO responded that there will always be movement around the benchmark due to how it is created, and are trying to be open and transparent about costs, and that there is an open invite to Ofgem to talk to the relevant teams about how the benchmark is set and how the BSUoS forecasting is done. ESO noted that there is a feeling that the balance on scrutiny of ESO performance is weighted to focus on balancing cost, whilst there are many other aspects to ESO performance.

Ofgem noted that they redesigned the incentives to remove the sole focus from short term costs and that this has been a good thing. However as the regulator there is an expectation that they will question balancing spend as it is a significant cost to the consumer. The reason they were expressing particular concerns in this area was because, at this moment, they do have concerns given the change in cost outlook from the start of 2018/19. They welcomed helpful discussions so far on this but wanted a deeper understanding of what was driving the deviations.

ESO asked Ofgem for feedback on the monthly BSUoS report, with Ofgem noting that they wish to talk through the monthly costs as a standing agenda item including the drivers of cost against the benchmark figure. Ofgem suggested that a subject matter expert (SME) could dial into the meeting to explain costs against benchmark.

- Question: Capacity Market modelling – what is the rationale for this exceeding expectations?

Answer: ESO explained that when the CM was instigated, there was no expectation that renewable generation would participate. However, now there is subsidy free renewables competing in the market, they want to participate. This means that the contribution they can make at times of system stress needs to be understood and modelled (because they are weather dependent and cannot call on their rated output at will). Therefore the ESO has had to put more time and resource into this than originally planned, and is also working with third parties such as Electralink to obtain data to use.

Ofgem commented that the ESO would have to do this work irrespective of the incentive scheme, so it did not feel 'exceeding', however ESO stated that nevertheless it was not originally planned or resourced and in responding to changing requirements we consider it exceeding.

ESO also stated that the end-of-year (EOY) report will set out our new ways of working and behaviours.

- Question: Metric 20 – what steps or changes has the ESO made in practice to achieve these performance levels? What relevant initiative(s) is the metric trying to track performance against in general?

Answer: ESO stated that it has spent time and resource creating the new process and reporting, and the metric is to put focus on this.

Ofgem asked about the detail of the forecasting process, with the ESO agreeing to explain the way the forecasts are prepared and discuss the quality of the forecasts.

- Question: Metric 14 – what was the key reason for one of the connection offers not being updated within 9 months?

Answer: ESO explained that the customer had increased the complexity of the contract agreement by splitting the windfarm into two separate agreements to reflect how it is operated, which resulted in more legal requirement/work.

Ofgem then provided feedback from stakeholders to say they are worried about ESO deliverables slipping.

ESO stated that it is aware of that feedback and will set out how we will address those concerns.

Ofgem also stated that stakeholders are concerned about the lack of transparency of bilateral contracts, and noted there is a metric in the FP to attempt to address this. Ofgem clarified that the concern is specifically about ancillary service tenders. Ofgem also noted that they will continue to get input from stakeholders and feed this back to the ESO over the next month. The ESO noted that some of the changes it is making to markets are likely to result in some stakeholders being unhappy if the changes are to their detriment, even if they are in consumers' interests.

Forward looking/strategic items:

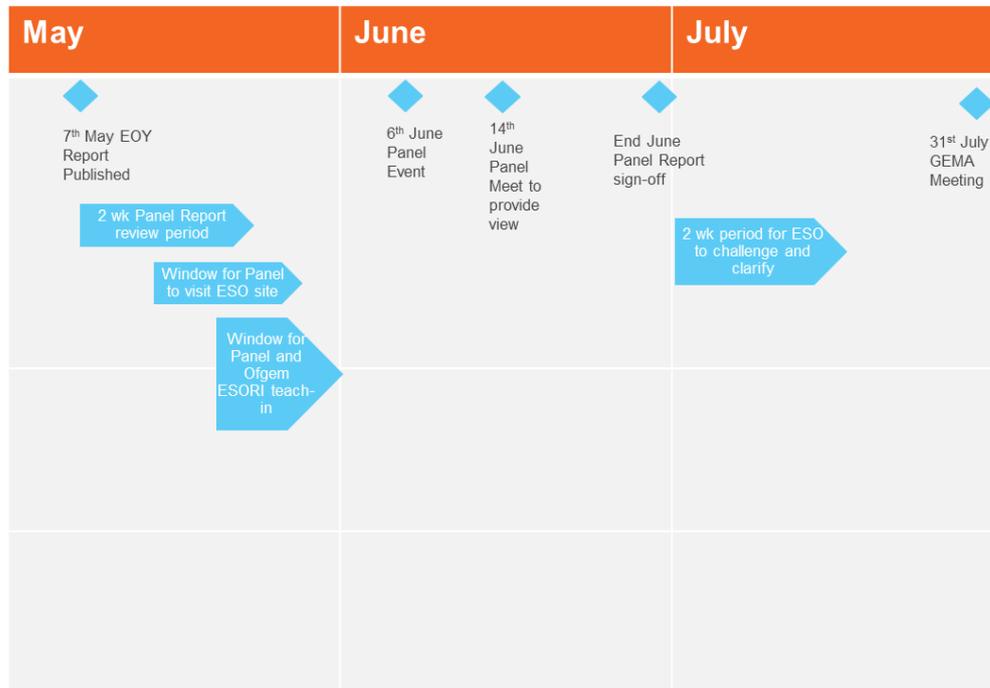
- In addition to the draft version of the Panel report on the Forward Plan, Ofgem provided a voice over of the feedback from the Performance Panel, noting that the final version will have more detailed comments on the performance metrics.
- The ESO explained that the SO Strategy: Towards 2030 and RII0-2 Ambition will be published alongside the Forward Plan at the end of March to support how the Forward Plan activities deliver against the long-term vision.

- The ESO shared that the Forward Plan will have more detail on why activities are exceeding, and will include information on innovation funding. Ofgem reminded that stakeholder feedback is important in determining if how the ESO executed an activity was exceeding.
- Noting Ofgem's comment of the number of exceeding deliverables, the ESO articulated that exceeding baseline is the sum of the parts of what and how activities are delivered rather than each individual activity being classified as baseline or exceeding. The ESO asked Ofgem if it would be clearer if the baseline and exceeding column was deleted from the detailed deliverables table and taken up a level to the group of activities e.g. Roadmap for response and reserve implementation.
- Ofgem challenged the ESO to link the deliverables to outputs or outcomes which demonstrate value, for example does an activity result in a reduction in BSUoS costs. The ESO could then track throughout the year how the deliverables are achieving the desired outcome.
- ESO noted that the April meeting with Ofgem regarding the Forward Plan will give the ESO Principle Sponsors an opportunity to give an overview of what the ESO is trying to achieve across the four roles. Ofgem concluded the discussion by adding that they are keen to see how we will reflect stakeholder feedback into the final version of the plan.

Incentives FY18-19 end of year process & panel event

- ESO stated that they are using feedback from the mid-year-report and Forward Plan consultation to make the EOY report more user-friendly, and are planning a short and succinct executive summary accompanied by seven detailed chapters (one per principle).
- Ofgem agreed with the approach of using Panel feedback from the mid-year-report, to have a shorter executive summary. Ofgem said that tabular format of presentation is good, but also needs a supporting narrative. The ESO needs to be clear through the seven chapters what the evidence is against the assessment criteria, however not all criteria have to be equally applied for all principles if it is not relevant.
- ESO suggested that they would refer to the mid-year-report when linking to stakeholder feedback for the first half of the year to avoid duplication.
- At this point Ofgem clarified that their intent through the ESORI guidance was that stakeholder feedback relating to metrics should be fully reported on, specifically where the metric was of the type based on stakeholder feedback or input. Ofgem stated that it was not their intent that absolutely all stakeholder feedback through all surveys to the ESO should be reported on. Ofgem agreed that this intent be minuted for clarity, to give direction to the ESO to not have to report on all stakeholder survey feedback, but to focus on specifics related to metrics which rely on this feedback.
- The ESO and Ofgem agreed on the following timelines for the end of year process:
 - *7th May*: ESO publish EoY Report
 - *TBD*: Panel visit to ESO site.
 - *W/c 20th May*: Ofgem to hold an ESORI session with the Panel
 - *6th June*: EoY Panel event to be held in London.

- 14th June: Ofgem and Panel to reconvene to discuss EoY performance.
- TDB: window for ESO to provide any further evidence to the Panel.
- 31st July: GEMA meeting agree reward/penalty for ESO.



Ofgem and ESO took an action to look at options for hosting the event, including location, and organisation.

- **Monthly ESO/Ofgem meetings agenda revision**

ESO proposed that we do quarterly deep dives, and get a timetable of how we can have SMEs included at the meetings. There is also an opportunity to review the forward strategy on a quarterly basis.

Ofgem said they think having an SME at each monthly meeting would be useful. By default this should be a balancing cost SME but there can be some flexibility to substitute SMEs from other areas as/when appropriate (for example if there is a significant deliverable or event in the month).

ESO noted that it was useful to get advance notice of questions in order to get quality responses in time for the meeting.

ESO said that they would write a proposal for the monthly meetings agenda and send to Ofgem.

- **AOB**

Regarding the BSUoS Licence change, Ofgem noted that they are comfortable with the change and it is with their Legal team for review. They want to launch a licence consultation post 1st April which will get a change in place before 31st July.

Ofgem concluded by saying that they are looking at making changes to the ESORI based on their call for feedback, and will send the ESO a draft document for review within 2 weeks, and plan to publish by the end of March.

Appendix 1 – Timetable

1. Annual Requirements

- Monthly
 - 15th working day of M+1 keeps cost basis historic
 - Meeting 20th working day of M+1
- Quarterly
 - 15th working day of M+1 following Q end (Jul, Oct, Jan)
- Half Year Report
 - 15th working day in October (M+1 after half year completed)
- Year End- Ofgem's Proposal
 - 7th May -consultation & draft licence (5 wks after year end)

2018	2018	2018	2018	2018	2018	2018	2018	2018	2019	2019	2019	2019	2019
Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
	M	M	M	M	M	M	M	M	M	M	M	M	
			Q						Q				
						1/2YR							FYR

2. Monthly requirements

Date	Action	Owner	Note
15 th Working Day	Monthly report submission date	ESO	
No later than 5 Working Days before meeting	Provide the Chair with meeting papers	ESO	
20 th Working Day	Monthly Monitoring Meeting	Technical Secretary	
25 th Working Day	Minutes from meeting submitted	ESO	
End of Month	Chair to approve minutes from meeting	Chair	
2 nd Working Day after approval of the minutes	Publication of meeting minutes	Technical Secretary	

3. 2018-2019 Reporting & Meeting Dates

Month	Report Published	Ofgem Meeting	Report Type
	(15 th WD)	(20 th WD)	
May	22/05/2018	30/05/2018	
June	21/06/2018	28/06/2018	
July	20/07/2018	27/07/2018	Q1 Report
August	21/08/2018	29/08/2018	
September	21/09/2018	28/09/2018	
October	19/10/2018	26/10/2018	Half Year Report
November	21/11/2018	28/11/2018	
December	21/12/2018	02/01/2019	

January	22/01/2019	29/01/2019	Q3 Report
February	21/02/2019	28/02/2019	
March	21/03/2019	28/03/2019	
April	23/04/2019	30/04/2019	
May	7/5/2019		End of Year Report