

Monthly Monitoring Meeting

Tuesday 3 November 2020, 10:30 – 12:00

Teleconference

AGENDA

Ref	Time	Title	Owner
1	10:35 – 10:50	SME slot – Balancing costs	ESO
2	10:50 – 11:05	SME slot – Dynamic Containment	ESO
3	11:05 – 11:20	SME slot – Constraint Management pathfinder	ESO
4	11:20 – 11:30	ESO to highlight any notable points from the published report	ESO
5	11:30 – 11:40	ESO to take questions on the published report	ESO
8	11:40 – 12:00	Review actions & AOB: <ul style="list-style-type: none">• Mid year event	All

Meeting record

Monthly Monitoring Meeting

Date: 3 November 2020
Time: 10:30 – 12:00
Venue/format: Teleconference

ACTIONS

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
28	66	3 Nov 2020	3 Jan 2021	ESO	ESO's to share views on the interactions between the Constraint Management Pathfinder and the possible RIIO-T2 incentive that could allow TOs to earn a payment based on a share of the cost saving actions that may reduce constraint costs	Open

MAIN ITEMS OF INTEREST

1. SME slot – Balancing costs

The Electricity System Operator (ESO) presenter gave commentary on the £134.7m outturn against the £103.7m benchmark.

Key points:

- Energy and Reactive costs were down slightly but RoCoF, Constraints and Black Start were all significantly higher than last year.
- September costs were higher than August with higher constraint costs.
- Demand was slightly lower than expected for September. Following the late August bank holiday demand was around 3-4% below expected pre-COVID levels.
- Thermal constraint costs were driven by high levels of spend on the major Scottish and North of England boundaries.
- Network outages caused further congestion on the system leading to higher costs.
- The control room worked with the trading team and carried out several re-assessments of the system operation plan that allowed alternative solutions to be identified for cost saving.

Q&A section:

Ofgem asked whether the constraints were planned or unplanned. ESO responded that all constraints were planned. There were system outages on hold due to COVID-19 which meant many outages were pushed back.

Ofgem asked how the ESO were planning to deal with the outages under the new lockdown. The ESO said the outage plan was not significantly affected as many outages were in the localised system in Scotland. The potential tight margin may require calling back circuits but there is no evidence of any further impacts.

2. SME slot – Dynamic Containment (DC)

Key points:

- DC successfully launched with the first delivery from 23:00 Thursday 1 October to 23:00 Friday 2 October.
- On 2 October, the IFA trip was successfully restored within 108 seconds. Our stakeholder highly recommended the service, “In this instance the response was near perfect with no over response. Impressive control by the National Grid ESO”.
- DC will sit alongside the ESO’s existing frequency products for now, rather than replacing any.
- A continuous upward trend was shown on market participation - 12 units from 6 participants had joined the DC market, all of which were batteries.
- 500MW of the low frequency product was sought from the market and as anticipated the providers seeking to participate in this market were existing response providers.
- ESO have reviewed the survey feedback on the product design and implemented a number of transitional arrangements.
- ESO received numerous questions on performance monitoring and plan to publish an FAQ document specifically on this topic in the next few weeks.
- ESO have booked in 1-2-1s in November to gather feedback from providers who are participating in the DC tenders. ESO also plan to hold sessions with forums and trade bodies to gather wider feedback.

Q&A Section:

Ofgem asked if the participation was as expected. ESO replied that the participation was beyond their expectation on the joining speed and volume. The market ran well, with growth expected this month to first key volume, 400MW.

Ofgem asked what the main driver was for the strong market response. ESO said the main driver was the attractive price and in the long term the eventual opportunity to stack DC with other new frequency response products in the BM market.

Ofgem asked whether the DC interaction with other services was anticipated in the BM market. ESO said the interaction was anticipated in the competitive market which provided opportunity for providers to move their volume to the new DC service.

Ofgem asked what specific changes the ESO had made according to stakeholders’ feedback. ESO said that its stakeholders were keen to know how residential assets could be aggregated to provide the service. One of the challenges was how the ESO could assess the effectiveness of critical system services provided from aggregators and small market participants. ESO are working closely with the industry to improve the development.

Ofgem asked if ESO were discussing with DNOs for the services from distributed generators, aggregators and active network management services. ESO said they were working to improve the DNO visibility of service providers and seeking additional opportunities from the Grid Supply Point (GSP) groups.

3. SME slot – Constraint Management Pathfinder

Key points:

- In the Network Development Roadmap, ESO published a solution to address the Anglo Scottish constraint. In February 2020, an RFI was released and it received 21 responses, 77 solutions and 10 technology types.
- The service will be procured by an annual tender and is technology neutral with availability and utilisation payments where the utilisation payment would be the imbalance cost incurred from the network fault that triggered the service.
- Based on a rigorous cost benefit analysis and the results of the RFI, ESO determined that they needed to have a tender to prioritise resolving this constraint through the generation turn down/demand turn up service as there was a quicker way to deliver consumer value.
- The tender decision was announced at the end of Q2 2020-21. It will be designed in Q3-Q4 2020-21 and run in Q1 2021-22 for 1GW volume from providers north of the boundary for service delivery from Q2 2021-22 to Q2 2022-23.
- ESO are working with the TOs on any required network changes to enable the service. Dependent on the success of the tender process, ESO are looking at other regions and potential services further into the future

Q&A Section:

Ofgem asked what the difference was between the CMP contract provided and the existing services. The ESO replied that the CMP contract approach involved an increasing proportion of participants who can deliver the service and create competition. Traditionally the ESO determined the participants and contracted bilaterally. With this approach, the ESO would be turning to the market for a solution if they met the requirement. Furthermore, participants would be paid an availability, arming and utilisation payment traditionally but with CMP contracts, the intention is that there will be no arming payment, only availability and utilisation payment of which the utilisation payment was the imbalance.

Ofgem asked why the constraint management pathfinder focused on short term or post fault conditions rather than long term solutions? The constraint cost forecast in next decade was relatively high due to large amounts of renewable generation connecting behind the boundary. ESO agreed that this is not going to be resolved by a single solution and doing nothing would incur high constraint costs in the future and is therefore prioritising the short term intertrip market approach as the first stage to resolving this. Depending on the benefit from the first stage, the ESO needs to understand the benefit of the service suggested in the Request for Information (RFI). ESO is prioritising the short-term service to ensure the services are economic and efficient. ESO is investigating the best way to pursue services such as this in the long term and will engage with Ofgem on this matter.

Ofgem asked how ESO considered the utilisation and availability price in the contract while the recent clean energy package was trying to remove the agreed utilisation price. ESO said the utilisation payment was only made for the imbalance charges on the system. There will be only one availability price and the imbalance of the system will be settled and calculated in a clear and transparent way to all market participants. This will be compliant with the clean energy package.

Ofgem asked if the statement that ESO was looking for transmission connected solution in the Mid-year report was correct. ESO said they had discussed with the TOs on the quickest way to build intertrip communication links between the participant and the Operational Tripping Scheme (OTS) location. The ESO was hoping to run a tender in advance of the delivery year (i.e. running the tender in 2021/22 for delivery in 2023/24) which would allow prospective participants to get the intertrip installed within 1 year ahead (2022/23) of the service delivery period. From the discussions, it was concluded that it was more likely for this to occur within a year when installed within two points on the transmission network than to interface this link to the distribution network. The ESO is also limited by the number of participants that can be connected to the OTS and in order to achieve 1GW volume for the Scottish boundary, the OTS would need extending. ESO is working on understanding how to integrate distribution network solutions into CMP in future and will look to expand the tender in the future.

Ofgem asked for the ESO's views on the interactions between the Constraint Management Pathfinder and the possible RIIO-T2 incentive that could allow TOs to earn a payment based on a share of the cost saving actions that may reduce constraint costs. ESO stated that it is aware of this, it had come up in conversations with at least one TO. ESO were not able to share thoughts with Ofgem but agreed to do so after considering this further.

Ofgem asked the ESO's thought on long term constraint cost solutions. ESO responded that they had not had time to work out all details and regulatory challenges (e.g. compete against TO solution) related to longer-term constraint solutions. Longer-term solutions are still being looked at but at present the ESO is prioritising the shorter-term intertrip solution.

4. ESO to highlight any notable points from the published report

N/A- this will be covered in Mid Year Event

5. ESO to answer any questions which Ofgem have sent prior to the meeting regarding the recently published report

N/A - this will be covered in Mid Year Event

6. ESO to take other questions on the published report

N/A - this will be covered in Mid Year Event

7. Ofgem to give feedback on ESO performance

N/A - this will be covered in Mid Year Event

8. Review Actions

N/A

9. AOB

Key points:

- ESO asked which topics Ofgem would like more information about in the mid year event. Ofgem said in general the stakeholders were interested in the pathfinder projects and tender processes. Ofgem took away the question and will reply to ESO with more details.
- ESO asked how the summer balancing review and RFI would feed into the panel assessment. Ofgem said the the findings will be shared with the panel, but this would only be indicative findings, rather than a firm conclusion.

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)

2020	2020	2020	2020	2020	2020	2020	2020	2021	2021	2021	2021
May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
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. 2019-2020 Reporting & Meeting Dates

Month	Report Published (15 th WD)	Ofgem Meeting (20 th WD)	Report Type
May	22/05/2020	29/05/2020	
June	19/06/2020	26/06/2020	
July	21/07/2020	28/07/2020	Q1 Report
August	21/08/2020	01/09/2020	

September	21/09/2020	28/09/2020	
October	21/10/2020	28/10/2020	Half Year Report
November	20/11/2020	27/11/2020	
December	21/12/2020	03/01/2021	
January	22/01/2021	29/01/2021	Q3 Report
February	19/02/2021	26/02/2021	
March		26/03/2021	
April			
May			End of Year Report

Appendix 2 – Previously Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
26	61	28 Jul	4 Aug	ESO	ESO to share presentation slides with Ofgem	Closed
26	62	28 Jul	31 Jul	ESO	ESO organise an IT deep dive session with Ofgem	Closed
26	63	28 Jul	28 Aug	Ofgem	Ofgem to organise a session for feedback from the performance panel	Closed
27	64	1 Sep	18 Sep	Ofgem	Ofgem to send through the forward plan addendum feedback	Closed
27	65	1 Sep	31 Sep	Ofgem	Ofgem to confirm the date for the mid-year panel event	Closed