

Monthly Monitoring Meeting

Friday 26 March 2021, 10:00 – 12:00

Teleconference

AGENDA

Ref	Time	Title	Owner
1	10:05 – 10:20	SME slot – Balancing Costs	ESO
2	10:20 – 10:30	SME slot – DNV Review of Costs	ESO
3	10:30 – 10:45	SME slot – FES: Bridging the Gap	ESO
4	10:45 – 10:55	ESO to highlight notable points from the published report	ESO
5	10:55 – 11:05	ESO to take questions on the published report	ESO
6	11:05 – 11:15	Ofgem to give feedback on ESO performance	Ofgem
7	11:15 – 11:25	Review actions & AOB: <ul style="list-style-type: none">Dates for End of Year Events	All

Meeting record

Monthly Monitoring Meeting

Date: 26 March 2021
Time: 10:00 – 12:00
Venue/format: Teleconference

ACTIONS

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
31	76	26/2/21	31/3/21	ESO	Provide some examples of units unavailable for tight margin and how Short Term Operating Reserve (STOR) sits on the top of the operating reserve	Closed
31	77	26/2/21	31/3/21	Ofgem	Share updated organisation chart for the Ofgem team	Open

MAIN ITEMS OF INTEREST

1. SME slot – Balancing costs

The Electricity System Operator (ESO) presenter gave commentary on the £163.3m outturn excluding blackstart against the £147.7m benchmark.

Key points:

- February's costs were slightly higher than last year. Energy and RoCoF costs were slightly higher this year whilst constraints were slightly lower. Western Link was unavailable last year and it tripped this year on the 15 February.
- February's costs were higher than January with £33.8m less on energy balancing, reserve and response, £47.8m more on constraints, £12.3m more on Rate of Change of Frequency (RoCoF), £4.1m less on Black Start and £0.1m more on Reactive.
- The percentage demand reduction due to COVID-19 restrictions for February was consistent with January at around 5%. The peak was least affected whilst the morning was the biggest change with the morning pick up being suppressed and lengthened due to the changes to working patterns under COVID-19.
- The wind reached its highest level of 20/21 so far but was still lower than last year when Storm Ciara and Storm Dennis hit on consecutive weekends. However, the loss of the Western Link from 15 February had a significant impact on constraint costs.

- After the Western Link tripped on 15 February, It was difficult to get the wind out of Scotland. This increase in wind bids drove the increase in constraint costs. Although the ESO constrained less volume than last February when the wind was higher and Western Link was unavailable for the whole month the cost of replacing the energy was higher.
- The big increase in constraint costs for February was partially offset by a substantial reduction in energy costs from the extremely high levels of January. The Operating Reserve costs fell from £50m to just over £23m as the system was less tight. The price of Margin also fell from £155/MWh to £77/MWh. It should be noted that this is still significantly higher than last February when it was £10.59/MWh.
- The ESO described several cost-taking actions taken in control room timescales, which are commercially sensitive.

Q&A Section:

The questions Ofgem had sent through on balancing costs and BSUoS were also answered in the meeting. As they were commercially sensitive, they will not be included in the published minutes.

2. SME slot – DNV Review of Costs

Key points:

- Following the mid year review feedback from the Performance Panel, ESO triggered an independent review into balancing system costs, actions to minimise the cost, and the context under which these costs have arisen.
- To build on the independent review of summer operability actions, ESO commissioned DNV (previously DNVGL) to provide a review of operational costs across the 2020/21 period.
- As with the summer operability actions, the full report will be made available to Ofgem, with an executive summary report produced for sharing with the Performance Panel
- The report is in final drafting stages and will be made available in April.

Q&A Section:

Q1. Did the review focus on short term actions and operational decisions last year or start to consider longer term drivers and actions?

A1. The review from DNV focused on high cost days or themes across this year. But it also gave a long term view on the areas the ESO should focus in the future.

Q2. Did the review focus on operational decision on outages and interaction with TOs on constraint management?

A2. Constraint cost is a big portion: there is a significant section about it in the report. The report does not look at whether outages should go ahead, but considers the operational processes to sanction costs.

Q3. Will anything be shared with the Panel?

A3. The report will be shared with Ofgem in April and an Executive Summary of the report will be shared with the Performance Panel.

3. SME slot – Future Energy Scenarios: Bridging the Gap

Key points:

- FES Bridging the Gap follows on from FES, looking at what needs to happen to meet net zero emissions.
- Ran 4 online webinars and 3 virtual workstreams; published a final report with recommended actions for the ESO and for the energy industry; delivered within Forward Plan timeframes
- Three phases:
 - Agreeing on new peaks and troughs for increasing levels of renewables – worked with core stakeholders and presented the results at the webinar in October
 - Working with external volunteers to analyse data and digitalisation, technology and market separately
 - Developing the key messages, conclusions and next steps based on the insight and feedback from stakeholders.
- Stakeholder engagement:
 - Core stakeholder group of 15 people
 - October webinar with over 130 attendees
 - November workstreams with 20 volunteers
 - Workstream presentations with around 50 attendees per presentation
 - In total, over 200 individual stakeholders, from over 100 different organisations
- Final outputs:
 - Three pillars of data and digitalisation, technology and markets
 - Overarching recommendations to integrate the three area with each other as well as wider activities
 - Building on some of our RII02 business plan commitments and a wider call to action for the rest of the industry, for each pillar
- Key messages from the three pillars:
 - Data and digitalisation: Increased data availability and digitalisation of systems is a key requirement in order to enable markets and technology to manage peaks and troughs
 - Technology: Technology is available now to help manage peaks and troughs, but it needs to be smart, deployed at scale and in combination to be effective.
 - Markets: Electricity markets need reforming, whether they are for short term trading or longer-term contracts, to provide the flexibility needed to more effectively balance the system.

Q&A Section:

Q1. The DFES plan has been developed in the ESO's RIIO2 Business Plan. How will they come together with FES and integrate into the process?

A1. This is part of our Business Plan and is expected to be rolled out in July 2022. In the meantime, work is going on in the background linking up with the DNO/DSO to make sure that we have a better understanding of each other's work. The first step in the process is to set up the baseline of assumptions and models. ESO is happy to discuss this in further detail if needed.

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

ESO summarised the key points from the report.

5. ESO to take other questions on the published report

There were no further questions.

6. Ofgem to give feedback on ESO performance.

- There were legal text issues on code changes CMP317, CMP 366 and CMP 281, which required additional work to resolve. Ofgem is keen to understand the cause of the issues and what has been done to address them.
- Ofgem fed back that the re-introduction of the Optional Downward Flexibility Management (ODFM) product for summer 2021 had been frustrating, and there had been a lack of co-ordination between ESO teams.
- Ofgem commented that the ESO's Operational Transparency Forums were helpful.
- ESO agreed to pass this feedback on to the relevant teams.

7. Review Actions and AOB

- The end of year stakeholder session and panel event will be on 8 June and the assessment session will be on 15 June. The date of Role 3 Deep Dive session is under discussion.
- The independent chair of the Performance Panel will be finalised by September 2021.
- The scope and timing of the second RIIO2 business plan will be discussed next week.
- There will be no monthly meeting before the end of year event.

Appendix – Previously Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
30	69	8/1/21	April 2021	ESO	Demonstrate plan to lower Constraint costs ¹	Closed
30	70	8/1/21	5/2/21	ESO	Share scope of ‘Joining the dots’ work ²	Closed
30	71	8/1/21	May 2021	ESO/ Ofgem	Discuss what Panel would want to see from “Deep dive” on Role 3 activities for the end of the year following on from ‘Joining the dots’ session. ³	Closed
30	72	29/1/21	26/2/21	ESO/ Ofgem	Organise session with ESO wind forecasting team to discuss performance data changes	Closed
30	73	29/1/21	26/2/21	ESO	SME to present at next monthly meeting to discuss 1E customer values metric	Closed
30	74	29/1/21	26/2/21	ESO	SME to present at next monthly meeting to discuss Network Options Assessment (NOA) publication	Closed
30	75	29/1/21	May 2021	ESO/ Ofgem	Discuss what Panel will want to see in the end of year report. ESO to share a mock version to find out the priorities.	Closed

¹ Closed by holding a 5-point plan webinar on 26 February.
https://twitter.com/ng_eso/status/1364575815506092032?s=20

² Closed by ESO/Panel session on 5 February.

³ Closed by agreeing the Role 3 “deep dive” plan for the end of year event.