

# Incentives Monthly Monitoring Meeting

## Meeting Minutes (May 2021 Report)

### Details

Date:	Tuesday, 29 June 2021	Location:	Teleconference
Time:	10:00 - 12:00	Meeting Number:	34

### Agenda

Ref	Time	Title	Owner
1	10:05 – 10:20	SME slot – Balancing Costs	ESO
2	10:20 – 10:35	Balancing and Forecasting queries	ESO
3	10:35 – 10:50	SME slot – Distributed ReStart	ESO
4	10:50 – 11:05	SME slot – NOA methodology consultation	ESO
5	11:05 – 11:15	ESO to highlight notable points from the published report	ESO
6	11:15 – 11:25	ESO to take questions on the published report	ESO
7	11:25 – 11:35	Ofgem to give feedback on ESO performance and monthly report format	Ofgem
8	11:35 – 11:45	<b>Review actions &amp; AOB:</b> <ul style="list-style-type: none"> <li>• Timings for 2020-21 outcome</li> <li>• Quarterly report format</li> <li>• Discussion around delayed projects</li> <li>• Session to discuss expectations for mid year report</li> </ul>	All

### Participants

Name	Company	Name	Company
Jenny Mills	NG ESO	Luke McCartney	Ofgem
Jess Rivalland	NG ESO	Luke Jones	Ofgem
Phil Smith	NG ESO	Adam Gilham	Ofgem
Gareth Davies	NG ESO	Alice Siri	Ofgem
Nigel Swan	NG ESO	David Beaumont	Ofgem
Hannah Kernthaler	NG ESO		
Oliwia Milek	NG ESO		
Mike Kenny	NG ESO		
Roop Phull	NG ESO		

Kelvin Lambert NG ESO

## Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
34	90	29/06/21	23/07/21	All	Session in August to discuss Ofgem's and the Panel's feedback. Ofgem to check Panels availability.	Open
34	91	29/06/21	23/07/21	ESO	Arrange session to talk through mid year report expectations	Closed
34	92	29/06/21	16/07/21	Ofgem	Arrange meeting between Ofgem and ESO to discuss balancing costs information included in reports	Closed
34	93	29/06/21	23/07/21	Ofgem	Review questions on forecasting metrics to streamline demands on ESO team	Open
34	94	29/06/21	23/07/21	Ofgem	Consider timeline for incentives meeting and sending over pre-meeting questions	Open
34	95	29/06/21	23/07/21	ESO	Follow up internally on feedback regarding TO comments at recent NAP meeting on additional resources to manage the amount of changes	Closed
34	96	29/06/21	09/07/21	ESO	Provide written response to questions sent by Ofgem on 28/06/2021	Closed
34	97	29/06/21	23/07/21	ESO	Session to discuss cost benchmarks including red projects	Closed

## Discussion and Questions

### 1. Balancing Costs

Nigel Swan talked through the May balancing costs, highlighting the main drivers of performance and cost saving actions taken by the ESO. Energy costs continued to increase and were the largest single component of the total spend. Energy Imbalance and Response were the biggest increases although Operating Reserve costs fell on the back of healthier margins and lower prices. The Fast Reserve and Response products requirement has increased, due to the increase in the scale and volume of frequency risks which must be secured. This is largely driven by the increase in renewable generation and interconnected networks. The procurement of Dynamic Containment is an additional spend in Response which will allow the ESO to implement the recommendations of its Frequency Risk and Control Report (FRCR) over the coming months which will reduce costs elsewhere.

Question	ESO response
Ofgem asked about RoCoF costs and what is driving them.	This is due to higher pricing in the BM, if the Control Room take power off the system to reduce the largest losses and has to be replaced by units elsewhere. The cost of replacing this power has increased significantly.
Ofgem queried what was driving the higher pricing in the BM.	Element of market behaviour, ESO can't dictate price. With regards to the market being short more often, as more renewables come onto the system it's replacing a lot of the CCGT based plants. The more renewables on the system, the more reliant on the weather it becomes.
Ofgem mentioned it gets difficult to discern what areas the ESO has no control over. How much is in the ESO's control and what can be done in advance?	ESO can't control available prices, therefore we are looking longer term at how we can secure the system. For example, introduced FRCR and this has shown that with Dynamic Containment ESO can now stop securing some of the largest losses under normal conditions. Further recommendations in FRCR may change the requirement to secure for the loss of the interconnectors
Ofgem stated that given the issues experienced in 2020, is it fair to compare the system to now. Is the difference so noticeable that previous years are not usable as a benchmark?	May 2020 is a more reasonable comparison than May 2019, due to the significant changes to the system over the past few years. An example of this is the greater number of wind generators connected at Saltend, this means the system is often constrained by more volume than in May 2019. Not only is the energy market and its behaviours changing, but the volume of generation sitting behind each constraint is different.

The ESO will provide a written response to answer the additional questions sent by Ofgem on 28 June 2021.

**2. Balancing and Forecasting questions**

Due to the high volume of Balancing and Forecasting related questions on the Incentives monthly reports, the ESO asked Ofgem what they would like to see in the report to minimise the amount of queries in the future. Several options were considered such as publishing the hot spot report, identifying trends and drivers in cost fluctuations, and what the ESO are doing to address those. Further discussions to take place including what information should be included in Demand and Wind forecasting metrics 1B and 1C.

**3. Distributed ReStart**

Mike Kenny talked through the key objectives, expected benefits and future state of the project, along with the project timeline for the various events with the Final Close Down report to be published in June 2022.

Roop Phull talked through the various procurement approaches and the engagement ESO have done with industry, which has generated a lot of interest and discussion. Roop gave a summary of the feedback received.

#### 4. NOA methodology consultation

Kelvin Lambert described the consultation process as well as items that have been changed this year, such as more flexibility in how ESO consult on the methodology, and how the NOA Interested Persons' process works. The consultation closed on 22 June with five responses being received. The ESO will submit the methodology to Ofgem by 1 August. Kelvin also described the ESO's stakeholder engagement and website improvements.

Question	ESO response
Ofgem queried the nature of the responses. Were comments more detailed regarding Pathfinders and Interested Persons or more general points being made?	Feedback was received on how these processes work and also on the fundamentals. These were more to review the wider context. Early competition was also mentioned.
Ofgem asked about the network review to consult with network planning more generally, will a fundamental design of NOA be in scope of this?	Yes, NOA would be considered among the deliberations.

#### 5. ESO highlight notable points from the published report

Jenny Mills talked through the key points from the May report.

#### 6. ESO to take questions on the published report

None.

#### 7. Ofgem to give feedback on ESO performance and monthly report format

- Ofgem generally happy with the monthly report format, apart from actions for discussion on Role 1 balancing costs and forecasting sections raised in meeting.
- TOs commented at a Network Access Policy (NAP) meeting that the ESO may need additional resources to manage the amount of changes. Suggestion for Role 3 area to be looked at as a whole.

#### 8. Review actions & AOB:

- Panel report to be published on 7 July, ESO to receive an embargo copy on 5 July. Ofgem decision to be published at the end of July.
- ESO quarterly incentives report format suggested. Metrics and notable events in the report with the progress on the deliverable milestones published in a spreadsheet on the website and a copy sent to Ofgem.
- Quarterly incentives meeting to go through any delayed deliverables
- Actions added 90-97

## Appendix – Previously Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
33	86	07/06/21	11/06/21	ESO	Provide written response to the questions sent by Ofgem on 03 June 2021.	Closed
33	87	07/06/21	11/06/21	ESO	Re-publish the April report using the newly published monthly benchmarks for Metrics 1B and 1C.	Closed
33	88	07/06/21	11/06/21	Ofgem	Confirm definition of Metric 1D	Closed
33	89	07/06/21	18/06/21	Ofgem	Review previous questions on balancing costs and see if the ESO need to be providing any further information in the report	Closed