

# Meeting minutes

## GB TERRE Implementation Group

**Date:** 03/08/2021      **Location:** Virtual  
**Start:** 13:00      **End:** 14:00  
**Contact:** box.balancingprogramme@nationalgrideso.com

Minutes and slides for all meetings will be published [here](#).

## Participants

Attendee	Company
David Bowman (Chair)	ESO
Bernie Dolan	ESO
Tom Ireland	ESO
Noemi Szabo	ESO
Sarah Elias	AFRY
Stephen Woodhouse	AFRY
David Cox	AFRY
John Perkins	AFRY
Helena Hortsman	AFRY
Andy Hadland	Arenko
Kevin Anaafi-Brown	BEIS
Murray Rennie	Brady
Natasha Davidson	CGI
Raghu Trichinapoly Vijayabhasker	CGI
Tom Edwards	Cornwall Insight
Ilias Varsos	ElecLink
Peter Frampton	Elaxon
Chris Fisher	Enegen
Chris Mook	Enegen
Sabina Chaudhary	Engie

Natasha Lingaloo	National Grid
Simon Baxter	National Grid
Paul Usher	Quorum Development
Steve Taylor	Quorum Development
Leo Mezonniaud	RTE
Jo Manship	RWE
Mark Devine	Sembcorp
Mark Hancock	Siemens Energy
Charlotte Johnson	Upside Energy

## Agenda

#	Topics to be discussed	
1.	Welcome and introductions	David Bowman
2.	Plan	David Bowman
3.	Overview of the project	AFRY
4.	Review of Replacement Reserve Product	AFRY
5.	Review of previous cost-benefit analysis	AFRY
6.	Proposed updated cost-benefit analysis methodology	AFRY
7.	Next steps for group	David Bowman

## Discussion and details

#	Topics to be discussed
1.	<b>Welcome, introductions, agenda and terms of reference</b> <ul style="list-style-type: none"> <li>The chair welcomed everyone to the Group and thanked them for their attendance and continued participation.</li> </ul>
2.	<b>Plan</b> <ul style="list-style-type: none"> <li><b>Today</b> <ul style="list-style-type: none"> <li>Review of Replacement Reserve product</li> <li>Review of previous TERRE CBA</li> <li>Proposed updated methodology</li> </ul> </li> <li><b>24 August 13:00-14:00 (placeholder)</b> <ul style="list-style-type: none"> <li>Draft findings from updated CBA</li> </ul> </li> </ul>
3.	<b>Overview of the project</b> <ul style="list-style-type: none"> <li>The ESO has appointed AFRY to carry out a cost-benefit analysis (CBA) on a GB-only Replacement Reserve (RR) product.</li> <li>To understand the impact of introducing a RR product, AFRY propose creating a model of what would have happened in GB if there had been a RR product in 2021. To do this they will create a</li> </ul>

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merit order based on the actions that have been taken within the Balancing Mechanism (BM) (plus some adjustments).

- Based on this merit order AFRY will assume a dispatch for two Scenarios - a '**GB only RR product**' and a '**GB + France RR product**'.
  - The modelling will provide an update to the 2016 ENTSO-E CBA<sup>1</sup> which identified a benefit for Great Britain of ~€17 million (2013 money base) as a result of access to 'lower priced' reserve from France over the interconnector. This analysis also identified limited benefits from a GB-only product.
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#### 4. Review of Replacement Reserve Product

- AFRY presented a view of the Replacement Reserve (RR) product
  - Issues relating to the GB-only product and the GB + France product have been identified that will be incorporated into the updated methodology.
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#### 5. Review of previous CBA

- AFRY presented a view of the previous CBA.
  - Various considerations were identified that will be incorporated into the updated methodology.
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#### 6. Proposed updated CBA methodology

- AFRY presented their proposed methodology for the updated CBA.
- The modelling will provide an update to the 2016 ENTSO-E CBA which identified a benefit for Great Britain of €17 million (2013 money base) as a result of access to 'lower priced' reserve from France over the interconnector.
- The main elements of the modelling approach will include:
  - The RR product utilisation as currently defined, and costs based on historical bids and offers but pricing as pay-as-clear.
  - In order to assess the benefit stemming from potential access to French plants only, the following additional comparison is proposed:
    - a) Recreating a GB bidding merit order using estimated variable costs to approximate a pay-as-clear product.
    - b) Including French plant data on the same basis, with relevant interconnector availability.
- Additional considerations were also presented

#### Questions and brief answers

- Q: Does "losses" mean losses across the interconnector?
  - A: Yes.
  - Q: Will you look at skip rates and efficient dispatch?
  - A: Not directly. The proposal is to mirror the approach of the previous CBA and use historic data so any issues regarding skip rates would be included.
  - Q: Are you taking the activations as happened and allocating them to a BM or RR action?
  - A: The proposal is to isolate the actions that would potentially have been RR and then model the pricing around that.
  - Q: in the original TERRE design there was an obligation for the ESO to use TERRE first. Is that still assumed to be the case?
  - A: Yes. The proposal is to model a requirement for RR activation in isolation from everything else that is happening, so the assumption is that a need for RR will lead to dispatch for RR and done in preference to other actions.
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<sup>1</sup> [https://consultations.entsoe.eu/markets/terre/user\\_uploads/20160307\\_terre\\_consultation.pdf](https://consultations.entsoe.eu/markets/terre/user_uploads/20160307_terre_consultation.pdf)

- Q: How does the work sit alongside Reserve Reform? Are benefits being doubled counted?
- A: The final report will have a qualitative discussion that will include links to the Reserve Reform. AFRY will consider how the issue of double counting can be addressed.
- Q: Does the modelling pick up the "downside" of interconnection versus storage (if you store energy in GB it can be used later, if you export it you cannot use it again)?
- A: This will be addressed in the qualitative discussion.
- Q: Are you assuming IT and communication interfaces will be the same as for TERRE? Any deviation could lead to increased costs.
- A: It is not proposed to go into that granularity. The proposal is to assume IT infrastructure costs are the same as if ESO were part of the European scheme and discuss how that might be an underestimate.
- Q: Before TERRE results come out, actions in the BM would be available to optimise assets? How do you model that these instructions could have been taken before RR?
- A: AFRY will consider how to address this.
- Q: Is RR the right solution? For example, could there be hourly auctions (as with TERRE), or should it be continuous?
- A: Such discussions are outside of this scope of work. This work will look at the arrangements as they currently are rather than looking at alternative designs. However, the final report may include some high-level discussion on this topic.
- Q: Does the modelled costs include central settlement changes, Elexon costs and ESO costs? Are you considering impacts ongoing activity such as the Targeted Charing Review, Access and Forward-looking Charges Significant Code Review, half-hourly settlement, P415 (access to the BM for Virtual Lead Parties)?
- A: AFRY will consider whether to incorporate these in the methodology/qualitative discussion

## 7. Next steps for group

- AFRY will consider all comments and feedback and incorporate this into the methodology.
- The placeholder date for presenting the draft findings is 24 August, 13:00 - 14:00. The ESO will confirm this date as soon as possible.

## Action Item Log

### Action items: In progress and completed since last meeting

ID	Description	Owner	Due	Status	Date
1	Provide comments on scenarios presented, including: <ul style="list-style-type: none"> <li>• Are the scenarios credible?</li> <li>• Have any scenarios been missed?</li> <li>• Based on the scenarios, when could your organisation commit to implement?</li> </ul>	All	27/11/2020	Closed	25/11/2020
2	Provide comments on the high-level implementations plans for Scenarios 1 and 2	All	04/12/2020	Closed	02/12/2020

3	Provide comments on implementation plans presented	All	11/12/2020	Closed	09/12/2020
4	ESO to publish open letter on group progress	ESO	23/12/2020	Closed	16/12/2020
5	Respond to ESO open letter	All	27/01/2021	Closed	16/12/2020