

Meeting minutes

GB TERRE Implementation Group

Date: 01/12/2021 **Location:** Virtual
Start: 12:00 **End:** 13:00
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
Kevin Anaafi-Brown	BEIS
Natasha Davidson	CGI
Raghu Trichinapoly Vijayabhasker	CGI
Tom Edwards	Cornwall Insight
Mads Odsgaard Olesen	Danske Commodities
Ilias Varsos	ElecLink
Roger Harris	Elexon
Shalini Suthasan	National Grid
Simon Baxter	National Grid
James Hill	Ofgem
Paul Usher	Quorum Development
Frederic Troalen	RTE
Jo Manship	RWE
Chris Fisher	SSE

Agenda

#	Topics to be discussed	
1.	Welcome and introductions	David Bowman
2.	Summary of key findings	David Bowman
3.	Considerations	Sarah Elias
4.	Next steps	David Bowman

Discussion and details

#	Topics to be discussed
1.	Welcome, introductions, agenda, and terms of reference <ul style="list-style-type: none"> The chair welcomed everyone to the Group and thanked them for their attendance and continued participation.

2. Summary

- The results are summarised below. They are heavily dependent on bidding behaviour.
- The costs are for the ESO only - interconnector and market participant costs are not considered because this information is not available to the ESO. In addition, the capex column does not include money already spent.

Scenario	Location	Bidding	I/Cs	Capex	Annual opex	Annual benefit	10-year NPV
Scenario 0 (counterfactual)							
Scenario 1	GB	Variable		£13.0m	£4.0m	£26.0m	£164.2m
Scenario 2	GB	BM opportunity cost		£13.0m	£4.0m	£4.8m	£6.1m
Scenario 2+	GB + France	BM opportunity cost	IFA 1	£20.0m	£4.0m	£9.1m	£21.7m
Scenario 2++	GB + France	BM opportunity cost	IFA 1 + IFA 2	£20.0m	£4.0m	£9.4m	£24.1m

- Q: Can the capital costs be reduced through efficiencies with IT spend on the ESO's new reserve products (or other investments)?
A: We do not think such savings can be made. Replacement Reserve is a non-firm product and for operational reasons, we would still need to progress with our reserve reform proposals because we need firm products, at least until we understand better how an RR market would function.
- Q: How do these findings compare with the original TERRE CBA¹ (i.e. for the implementation of TERRE using the EU platform)?
- A: The ENTSOE TERRE CBA estimated benefits of €17m per year to GB consumers. Separate analysis by the ESO suggested a similar benefit of £13m per year. Assuming £15m benefit per year

¹ https://consultations.entsoe.eu/markets/terre/user_uploads/20160307_terre_consultation.pdf

gives a 10-year NPV of £105m.

- Q: How do the CBA findings interact with the recently announced review of the balancing market?
- A: The CBA has been produced using historic data from 2019 onwards, based on the market as it was then. We cannot speculate on what changes (if any) could happen because of the review and how they may change the results presented.

3. Further consideration

- Scenario 1 (variable cost bidding) is seen as unlikely in the short to medium term
- Similarity to STOR and Slow Reserve could lead to some overlap, potentially adding complexity and limiting competition
- The 10-year NPV of ESO's RIIO-2 Response and Reserve reform proposals is £183m

4. Next steps

- Feedback is requested by 7 January, via email to the address above.

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"> • Are the scenarios credible? • Have any scenarios been missed? • Based on the scenarios, when could your organisation commit to implement? 	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
6	Provide feedback on final report	All	07/01/2022	Open	01/12/2021