

Incentives Monthly Monitoring Meeting

Meeting Minutes (October 2022-23 Report)

Details

Date:	Monday 28 November 2022	Location:	Teleconference
Time:	10:00 - 12:00	Meeting Number:	49

Agenda

Ref	Time	Title	Owner
1	10:05 – 10:20	SME slot – Balancing costs	ESO
2	10:20 – 10:50	Metric 1A – Benchmark for BP2	ESO
3	10:50 – 11:20	Looking ahead to the End of Scheme Report	ESO
4	11:20 – 11:30	ESO to highlight notable points from the published report	ESO
5	11:30 – 11:40	ESO to take questions on the published report	ESO
6	11:40 – 11:50	Ofgem to give feedback on ESO performance	Ofgem
7	11:50 – 12:00	Review actions & AOB	All

Participants

Name	Company	Name	Company
Simon Targett	ESO	Samar Ahmed	Ofgem
Phil Smith	ESO	James Hill	Ofgem
Filippos Panagiotopoulos	ESO	Matthew Fovargue	Ofgem
Jillian Wells	ESO		
Tom Carr	ESO		

Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
44	127	09/06/22	September 2022 tbc	All	Organise wind forecasting deep dive sessions <i>Latest - Currently deprioritised</i>	Open
45	133	07/07/22	TBC	ESO	Categorisation of balancing costs: ESO to share breakdown of costs for previous	Open

					months once the categorisation issue has been corrected. <i>Latest – ESO currently unable to provide a date for resolution</i>	
46	142	01/08/22	30/08/22	Ofgem	Approve minutes from monthly meetings from May onwards.	Open
48	148	29/09/22	25/10/22	ESO	ESO to provide more clarity on cost saving actions in future meetings. <i>Update – Tom Carr to follow up with Adam Gilham</i>	Open
49	149	28/11/22	5/12/22	ESO	NEW ESO to provide details of the balancing cost savings made through the coal contract proving runs on 25 and 27 October.	Open
49	150	28/11/22	04/01/23	Ofgem	NEW End of Scheme report / events. Ofgem to provide views on: <ul style="list-style-type: none"> • In person vs virtual events; when the events will take place and who will arrange them, Ofgem or ESO? • Value for Money: Is an 'early view' meeting required and if so when? • Dates for Call for Evidence. 	Open
49	151	28/11/22	04/01/23	ESO	NEW Post report engagement / timeline – to be added to agenda at a future meeting	Open
49	152	28/11/22	04/01/23	ESO	NEW BSUoS forecasting performance (18-month report): ESO to add an agenda item in a future month for a SME to talk through what is / is not within the ESO's control.	Open
49	153	28/11/22	04/01/23	Ofgem	NEW Ofgem to confirm whether they need to see the full 'Monthly Report MMM YYYY' file including macros every month, or a reduced version could be shared	Open
49	154	28/11/22	04/01/23	ESO	NEW ESO to add an agenda item in a future month to discuss the reporting of CBAs in end-of-scheme report.	Open

Discussion and Questions

1. Balancing Costs

October balancing costs: Filippos Panagiotopoulos through drivers of the October balancing costs.

Question	ESO response
JH: On Coal, I thought some of the contract had been paid from June. Are you saying this started being paid in October will run to March?	FP: Yes correct
JH: The cost of the coal contract was £62m in October?	FP: Yes - £2m/day
JH: Coal has been assigned to non-constraints and the total increase is £34m. Does this mean non-constraints decreased if you remove impact of coal contracts?	FP: Yes correct
JH: Did the ESO carry out test runs in October for the coal contracts?	JW: On 25 th and 27 th October there were proving runs that took place and were successful.
JH: Balancing Volumes – Non-constraint volumes were down until August but are now up. What is the reason for this?	FP: This is typical based on the time of the year
JH: I'm interested in the savings you made as a result of the coal contract proving runs through reduced balancing actions.	JW: Please drop the question in an email and we can get the detail for you.

Update on Metric 1E data issue:

Jillian Wells provided update on the data issue with Metric 1E.

Question	ESO response
JH: The days that were missed, was this due to them being particularly good or bad days, or was it regardless of performance?	JW: This was not related to the performance of the day and is related to the tool used. Skip rates would need to be 10 times more than the average rate to move performance by 0.1%, so the missing days are very unlikely to have made a material difference to the reported figures.

Cost saving actions:

Tom Carr provided an update on the ESO's reporting of cost saving actions.

TC: We've talked a lot of over the last few months around balancing costs insight and had the deep dive covering everything. We've received feedback around what has been presented as cost saving actions in the past.

JH: Ofgem want to know the cost saving actions that the ESO has taken that are not a BAU expectation. We recognise that BAU actions save money, but we want more around ESO finding a cost saving. There was an action presented earlier in the year around STOR and a change that was made that resulted in cost savings - we would like more like that. It is best to follow up by email with AG as he will be able to provide more guidance.

TC: Happy to follow up with Adam.

Action: Tom Carr to follow up with Adam Gilham

2. Metric 1A – Benchmark for BP2

Phil Smith talked through the ESO’s initial high level view of potential changes to the benchmark for BP2. The following was agreed:

JH:

- We’re going to publish principles in the DD.
- The question we will ask is: “Do you agree with the principles”.
- We would like to start work on the Role 2 metrics ahead of the end of the consultation so there’s no reason why we wouldn’t do the same for Role 1 metrics.
- In terms of modelling, the approach of both parties doing modelling is fine and we ask the ESO to engage with Ofgem if they feel that other variables need to be used or different principles needs to be followed.

3. Looking ahead to the end-of-scheme report

Simon Targett talked through the approximate timeline for the end of scheme report and some areas where clarification on process was requested. The following was agreed:

Area	Points agreed
Reporting time period	Agree with recommendation in principle that the report covers the full 2 years, but with more focus on last 6 months. Ofgem reminded the ESO that Ofgem will need to read the report so it needs to be manageable. Ofgem will also have read the previous reports and be up to speed with first 18 months.
Panel / Stakeholder event	Action: JH to speak to KN to get a response.
Stakeholder section	Ofgem would like to see the ESO set out key themes in the stakeholder feedback they have received over the two years. A “Reflection piece” would be good for the 2 year period – what’s changed over the period, and what actions ESO have taken to drive changes A complete narrative is not critical. Where we have negative feedback, provide rationalisation and any evidence of action taken
Value for Money	Action: JH to speak to KN to understand whether earlier view is needed.
Call for evidence	Action: JH to speak to KN and confirm if taking place and when
CBAs	Action: To be added to agenda at future monthly meeting
Case studies	There should not be a hard limit of one per role, but as required reasonably. Role 2 case studies should include Balancing Reserve and Net Zero Market Reform.

Post report engagement	<p>Ofgem confirmed there will be a written question process with timings to be confirmed</p> <p>Ofgem cannot provide more clarity on dates at this stage. We can discuss again at our next monthly meeting.</p> <p>Action: To be added to agenda at future monthly meeting</p>
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Feedback on performance

Area	Feedback
18-month report – BSUoS forecasting	<p>JH: It's hard to tell what ESO's performance is driving and what it means. Ofgem would like a separate discussion to understand the external factors.</p> <p>Action – add to agenda for next meeting</p>
Role 2 feedback	<p>JH: Conversations have already taken place with regards to Role 2 performance. Ofgem are keen to see how things progress between now and end of scheme.</p>
OTF and perceived transparency	<p>JH: We have recognised a change in style which puts pressure on attendees to not ask questions anonymously. This risks a reduction in questions and transparency, although we understand there is a balance to be made.</p> <p>JW: Thank you for feedback and we will ensure we find the right balance.</p>
Role 3 feedback – Stability Pathfinders	<p>JH: Pathfinder Stability Phase 3 has been delivered very professionally, although hindered by market forces. The people doing the work did it really well. The way it has been handled and transitioned from Phase 1 was super.</p>

6. Review actions & AOB:

Study looking at how DFS can be passed onto consumers by ESO – JH requires some clarity and will send an email to the ESO on this.

ESO asked if Ofgem need to see the full 'Monthly Report MMM YYYY' file including macros every month, or whether a reduced version could be shared. **Action** on Ofgem to review and confirm.

Previously Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
47	146	30/08/22	06/10/22	ESO	<p>ESO to provide early clarity on activities that have been de-prioritised as a result of winter priorities (e.g. work on DFS).</p> <p><i>Update: The ESO held a session with the Ofgem performance team to discuss prioritisation including FRR.</i></p>	Closed
48	147	29/09/22	13/10/22	ESO	ESO to provide more detail on the rationale for 12 tests for DFS.	Closed