

Monthly Monitoring Meeting

Friday 28th June 2019 10:00 – 12:00

Ofgem Office South Colonnade and Teleconference

AGENDA

Ref	Time	Title	Owner
1	<i>10 min</i>	SME slot – May Balancing costs	<i>ESO</i>
2	<i>10 min</i>	SME slot – Auction Trial Update	<i>ESO</i>
3	<i>10 min</i>	SME slot – Work programme to address RoCoF	<i>ESO</i>
4	<i>10 min</i>	Review actions	<i>ESO</i>
5	<i>10 min</i>	ESO to highlight any particular notable points from the published report	<i>ESO</i>
6	<i>10 min</i>	ESO to answer any questions which Ofgem have sent prior to the meeting regarding the recently published report	<i>ESO</i>
7	<i>10 min</i>	ESO to take other questions on the published report.	<i>ESO</i>
8	<i>30 min</i>	Ofgem feedback on 6th June Panel day and incentives process since then. Next steps in the Process, publication of Panel report etc.	<i>All</i>
9	<i>10 min</i>	AOB	<i>All</i>

Meeting record

Monthly Monitoring Meeting

Meeting number 15

Date: 28th June 2019

Time: 10:00 –12:00

Venue/format: Ofgem Offices
London

Teleconference

ACTIONS

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
15	35	28 th June	26 th July	ESO	Provide more detail on the planning that is taking place for September onwards	Open

MAIN ITEMS OF INTEREST

1. SME slot – May Balancing costs

- ESO explained that in May balancing costs were low. From the graphs contained in the report it is clear to see that constraint costs vary from previous months. They are a smaller percentage of costs this month because even though the Western HVDC link was out of service there were only 4 days of significant wind bids throughout the month due to low wind generation output.
- ESO then noted that the month-ahead BSUoS forecast metric was missed. This is because the forecast was increased due to the HVDC link being out of service, however constraint costs were much lower than anticipated due to good weather (low wind), therefore the impact of the HVDC link on BSUoS was lower.
- Ofgem asked a forward-looking question and suggested a follow-up discussion at the next meeting. Ofgem asked whether any planning is taking place for September onwards this year, given that there was a spike in costs in September last year and a similar set of drivers (e.g. Hunterston, Torness and the HVDC link being out of service.) The ESO responded that the HVDC link is back in service and we expect it to stay in service for the future, including September. Work is being carried out on RoCoF costs to decrease these going forward.
- **Action for next month:** provide more detail on the planning being carried out for September onwards this year to ensure costs do not repeat the high values seen last year

- The ESO mentioned they are also holding multidisciplinary meetings, which helped with planning for the Bank Holiday in May. These started in May and helped planning for the May Bank Holiday. The ESO are getting better at identifying potential issues early and getting plans in place to manage them.
- For the next bank holiday in August the ESO is holding strategy meetings and running additional studies ahead of the weekend and looking to trade products out for longer. Therefore, identifying any issues early and putting plans in place. Ofgem suggested this would be an interesting area to include in the next quarterly hotspot report.

2. SME slot – Auction Trial Update

- ESO gave details of Phase 1 of the trial. They have had 3 – 4 providers in each auction with each provider being successful in securing some capacity. There has been one more unit participating in the trial this week than in previous weeks.
- Prices have been around £5.20/MWh overnight and around £3.20/MWh during day. These are broadly aligned to prices within the FFR market.
- A number of providers are currently working through the pre-qualification process. There are also a number of companies waiting to see what happens within the trial before they participate.
- ESO's current learning from the trials has been about publishing results and internal process alignment improvement.
- Ofgem asked about the timescales for Phase 1. ESO responded that the start date for Phase 2 is aimed for September at present. There are some technical details which need to be discussed with EPEX and additional functionality may be added to the auction platform over November/December.
- Ofgem then asked if there was any feedback from participants so far. ESO responded that generally feedback has been that things have been quite smooth. Other general comments have been around the auction rules and buy orders, where feedback has been that the price cap is set too low. As the auction is pay-as-clear, ESO needs to manage risk so there needs to be a price cap. Also, there is a learning process for participants in the auctions. There have been good conversations and people are happy with how things are going so far.
- Ofgem then asked what additional things are needed to move forward with Phase 2. ESO replied that they need to develop the online EPEX Spot Platform as this removes the need to submit spreadsheets and removes the manual elements of the process. They are also looking to open the market up to dynamic response as currently only low frequency static response can participate. In doing this it will open up 100MW of market requirement. Lastly, there needs to be development of an exchange rate function between products. This will allow the ESO to clear two markets at one time and optimise over the two markets. It will also allow participants to easily balance their portfolios.
- Ofgem then asked what are the key things/lessons that NGENSO has learnt from the more market based approach to procurement. ESO replied that it is still early days. However, the way this new way of buying services interfaces with internal systems is a key area at the moment. The ESO needs to consider how the results of the auctions

then feeds into operational systems to ensure they can use it. This is an area is looking to be addressed in Phase 2.

- Another learning point has been to make sure the market understands the requirements and the difference between traditional product they are used to. In the future, the ESO will look to provide more offline training to increase understanding and behaviour with this procurement approach. As they have seen that participants are using strategies that are for pay-as-bid rather than pay-as-clear, therefore they need to adjust their behaviour. There have been good conversations on this but the learning has been to engage with the market on a practical level as well as publishing information on the rules etc.

3. SME slot – Work programme to address RoCoF

- ESO explained why this topic was raised. The Loss of Mains (LOM) Programme is included within the Forward Plan and there is a lot of money involved in it. ESO followed this by saying we want to go over the process of what we are doing with our key stakeholder Ofgem, to explain the large sums of money the programme will cost, but which will offset much larger sums resulting from not doing the work. The ESO then gave an overview of the programme which looks at LOM protection. This is where generation that sits on the distribution network (such as solar), uses protection in the form of a G59 relay box. This box then protects the generation from issues that may occur on the transmission system, such as Rate of Change of Frequency (RoCoF), by tripping off the generation when a certain level has been reached. These protection systems can lead to a huge number of embedded generators disconnecting unnecessarily in the event of a system fault and make the situation (such as the loss of an interconnector) much worse.
- One way of stopping this would be to reduce the largest loss on the system. Another way would be to take off generation units that have low/no inertia capability such as wind (however this would be an expensive option). Therefore, this programme has been developed. The work looks to place an obligation of everything greater than 50kW. Distribution Code change DC0079 has been raised to help facilitate this as there are around 50,000 units that need changing.
- This is the plan to make it happen and there is also an incentive payment programme. Planned activities include enforcement and assistance to do this, and DNOs checking this is done.
- Ofgem asked, at what point is a payment made between parties under the incentive payment element. ESO responded that on a wider basis we are considering this as a balancing service therefore the cost will be recovered via BSUoS. This is covered under our licence and we, at present are not looking for a licence change. Ofgem were happy with this.
- ESO went on further to note that a majority of payment is going through to the generator but we are still finalising the payment they are going to receive. This payment is sufficient to accelerate changes. The Grid Code modification will make it a requirement in 3 years' time. The ESO would like this done quicker so the payment is in place to incentivise this. A proportion of the cost is going to DNOs, to carryout activities such as witness testing and post implementation checks.

- Ofgem asked if the payment disappears after 3 years as once it is codified it will be no longer be necessary. ESO responded that the payment is part of a broader plan, where if the payment does not incentivise generators there is an assistance plan with DNO's helping to implement the change. There is then the enforcement element of having it codified.
- Ofgem's ESO Regulation Team confirmed that they are happy that the right decisions are being made by the other relevant Ofgem and ESO teams involved. Therefore, the ESO Regulation team is happy to be informed and guided by the recommendations of the other relevant teams.
- ESO stated that this won't be a surprise to BSUoS payers due to extensive stakeholder engagement on the subject. This has been presented at the Operational Forum and CISG.
- Ofgem asked if RoCoF has been seen on a locational level. ESO responded that RoCoF costs have not differed geographically. RoCoF is a factor of the physics of the system that happens across the whole of GB concurrently. Vector shift protection systems problems however, can be geographically localised. The ESO stated that in the End of Year Report they had captured the benefit of a regional program of work undertaken last year to change such settings which created millions of pounds of consumer benefit.
- Ofgem then followed up on whether any changes had been seen in pricing from generators. ESO replied that they have not seen variation in pricing. The ESO noted £490million of trading benefit within the End of Year Report, a large component of which is due to trading on the interconnectors rather than curtailing wind and solar. However, costs are increasing overall.

4. Review actions

- All actions closed

5. ESO to highlight any particular notable points from the published report

- BSUoS forecast 30% error – the forecast was inflated to match costs seen in April, however constraint costs were not as high as forecasted.
- System access management – the control room queried a couple of outages. One due to lack of understanding of an asset's technical limitations. The other was due to some queries on extreme generation scenarios.
- Right first time connection offers – There were 3 areas where team had to go back to correct issues with contracts.
- All other metrics are on target.
- There was added narrative regarding Charging Futures BSUoS Taskforce work where the final report of this work has been published. The ESO are working on next steps.
- There was an additional update on NOA stakeholder work on Pathfinders and the opening of the NOA process to non-traditional asset based solutions.
- No questions were sent by Ofgem this month.

6. ESO to answer any questions which Ofgem have sent prior to the meeting regarding the recently published report

- None

7. ESO to take other questions on the published report.

- None

8. Ofgem feedback on 6th June Panel day and incentives process since then. Next steps in the Process, publication of Panel report etc.

- Ofgem fed back that the event on the 6th June was a good day and better than the mid-year event. Stakeholders thought it was a better process and they will use this as default set up for future events.
- Biggest feedback from the event was the lack of time for discussion. They need to be stricter on timing for ESO to present evidence to allow more time for discussion. ESO added that they felt well prepared and pleased with how it went as there were some good conversations. They also noted the challenge between explaining what the ESO does and then talking about how the ESO has performed. There is a need to continually work on this education piece.
- The session in the afternoon for the Panel was a useful element as it gave them time to ask questions etc...
- Ofgem stated the only feedback from the End of Year event follow up session was that they received responses to questions on the day of the follow up session. Therefore, as they received on the day it was hard for them to digest. The ESO noted that it was difficult to collate the information under such tight timescales, however it was treated as a priority.
- ESO asked if there is anything Ofgem can share on next steps following the publication of the Panel report, such as weighting of the Panel report in Ofgem's decision making. Ofgem responded that it is a crucial piece of the puzzle for their decision making. It is not the only piece, they consider other evidence and are not tied to the Panel's decision. However, they need to be able to justify their decision fully.
- Ofgem's next steps are to go to the Authority on 31 July but there is a 2-week period before this gets submitted.
- Their evidence base consists of things such as monthly monitoring evidence, yearly collation, mid-year and end of year reports, day to day interactions with the ESO and market participants throughout the year.

9. AOB

- ESO asked for the next reporting cycle, what are Ofgem's thoughts on what they want to see for the next quarterly report. Ofgem confirmed they would like the ESO to continue with where the reporting is going e.g. the monthly report is the base template and then by role area add anything interesting that has happened one side of narrative of detail etc...

Appendix 1 – Timetable

1. Annual Requirements

- Monthly
 - 15th working day of M+1 keeps cost basis historic
 - Meeting 20th working day of M+1
- Quarterly
 - 15th working day of M+1 following Q end (Jul, Oct, Jan)
- Half Year Report
 - 15th working day in October (M+1 after half year completed)
- Year End- Ofgem's Proposal
 - 7th May -consultation & draft licence (5 wks after year end)

2018	2018	2018	2018	2018	2018	2018	2018	2018	2019	2019	2019	2019	2019
Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
	M	M	M	M	M	M	M	M	M	M	M	M	
			Q						Q				
						1/2YR							FYR

2. Monthly requirements

Date	Action	Owner	Note
15 th Working Day	Monthly report submission date	ESO	
No later than 5 Working Days before meeting	Provide the Chair with meeting papers	ESO	
20 th Working Day	Monthly Monitoring Meeting	Technical Secretary	
25 th Working Day	Minutes from meeting submitted	ESO	
End of Month	Chair to approve minutes from meeting	Chair	
2 nd Working Day after approval of the minutes	Publication of meeting minutes	Technical Secretary	

3. 2018-2019 Reporting & Meeting Dates

Month	Report Published	Ofgem Meeting	Report Type
	(15 th WD)	(20 th WD)	
May	22/05/2019	30/05/2019	
June	21/06/2019	28/06/2019	
July	19/07/2019	26/07/2019	Q1 Report
August	21/08/2019	29/08/2019	
September	20/09/2019	27/09/2019	
October	21/10/2019	28/10/2019	Half Year Report
November	21/11/2019	28/11/2019	
December	20/12/2019	31/12/2019	

January	22/01/2020	29/01/2020	Q3 Report
February	21/02/2020	28/02/2020	
March		28/03/2019	
April			
May	7/5/2019		End of Year Report

Appendix 2 – Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
1.	1.	30/5/18	15/6/18	HK	Agenda to be updated to reflect new item for discussion	Closed
1.	2.	30/5/18	15/6/18	JD	Formal write up of the feedback received to the first month report	Closed
1.	3.	30/5/18	15/6/18	SB	Providing any further thoughts on how the summaries per principle could be written to provide clear evidence	Closed
1.	4.	30/5/18	15/6/18	SB	Dates to be shared for monthly meetings, and tentative dates for half year and end of year	Closed
1.	5.	30/5/18	15/6/18	SB	Lines to take/ Summary of process for panel events	Closed
2.	6.	28/6/18	27/7/18	HK	ESO look at wording in the charging circular email and more clearly explain the basis	Closed
2.	7.	28/6/18	27/7/18	CC	Detailed articulation of BSUoS billing metric and how it relates to CUSC	Closed
2.	8.	28/6/18	27/7/18	GT	Share guidance on how the roles and principles under 18-21 incentives can be used and shaped as part of the RII02 Business Planning Activities	Closed
2.	9.	27/7/18		HK	Ofgem asked for an understanding of what data would be included within the	Closed
3.	10.	27/7/18		HK	The ESO promised to provide the work in progress versions of principles 4, 5 & 6 and organise a meeting between the ESO and Ofgem to discuss	Closed
3.	11.	27/7/18		DB	Ofgem to confirm contacts for the ESO to engage with regarding the data task force	Closed
3.	12.	27/7/18		HL	Organise a meeting with the metric 4 owners to provide further explanation on the detail	Closed

3.	13.	27/7/18		HK	The ESO to provide responses to the following questions about the auction trial: what had stakeholders said about the delay? Have we tested the reasons explained within the report with stakeholders? Were any alternatives considered (e.g. more resources)? What alternative actions might the ESO take in the interim to help	Closed
3.	14.	27/7/18		DF	Provide an update on any further stakeholder feedback received on the Roadmaps and asked what actions are the ESO taking to improve the stakeholder survey scores	Closed
3.	15.	27/7/18		HL	Provide more detail behind the re-prioritisation of codes mentioned in the Q1 report and organise a meeting to discuss	Closed
3.	16.	27/7/18		HL	Clarification on the statement around the C27 licence mentioned within the report.	Closed
3.	17.	27/7/18		JD	Where possible, publish the responses of received to the Forward Plan Consultation on the NG website	Closed
4.	18.	29/8/18		HK	The ESO to respond to email sent from Ofgem regarding dispatching actions taken under principle 2	Closed
4.	19.	29/8/18		DB	Ofgem to share the feedback that they had received around the ESO taking a more proactive role in the ENA Open	Closed
4.	20.	29/8/18		DB	Ofgem to organise a meeting to discuss the lessons learned and potential changes for next year's incentives year	Closed
4	21	29/8/18		HK	Provide further detail behind balancing costs on 28/29 July, including why the forecasts were incorrect and whether any lessons have been learned.	Closed
5	22	28/9/18		HK	Carbon Intensity- Why did we prioritise this information to share	Closed
10	23	28/02/19		SM	Share with Ofgem how Energy Forecasting team calculates its year-on-year performance measure	Closed

10	24	28/02/19		SM	Share with Ofgem how the monthly BSUoS forecast is done, and what ESO can leverage to improve the quality of the forecast.	Closed
10	25	28/02/19		GT and LS	Look at options for hosting EOY event, regarding costing, location, organisation.	Closed
10	26	28/02/19		ESO	Propose monthly meetings agenda format.	Closed
11	27	28/03/19		ESO	Explain what the ESO is doing to look at managing RoCoF with respect to largest loss impact, through its operability strategy and planning.	Closed
11	29	28/03/19		Ofgem	Inform the ESO of what additional data may be required in support of monthly performance reporting for next year.	Closed
12	30	30/04/19		Ofgem	Inform ESO of which SME area they would like covered in future meetings. ESO will put calendar together. Ofgem apologised for not sending earlier	Closed
12	31	30/04/19		ESO	Propose a date in May for workshop on metrics. RIIO teams talking to Grendon – put on hold for now. Align to RIIO timelines	Closed
14	32	30th May	28th June	ESO	Explanation and narrative around wind forecasting in April to be provided to Ofgem	Closed
14	33	30th May	28th June	ESO	Role 1- balancing costs table – metric 1 – add extra row on adjustments (page 4)	Closed

14	34	30th May	28th June	ESO	Add table/figure numbers to report	Closed
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