

Incentives Monthly Monitoring Meeting

Meeting Minutes (November 2022-23 Report)

Details

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|-------|-----------------------|-----------------|-----------------------|
| Date: | 9 January 2022 | Location: | Teleconference |
| Time: | 10:00 - 12:00 | Meeting Number: | 50 |

Agenda

| Ref | Time | Title | Owner |
|-----|---------------|---|-------|
| 1 | 10:05 – 10:30 | Discussion around Role 1 Ofgem concerns (further to 16/12 email) | ESO |
| 2 | 10:30 – 11:00 | Metric 1A – Benchmark for BP2 | ESO |
| 3 | 11:00 – 11:10 | Looking ahead to the End of Scheme Report | ESO |
| 4 | 11:10 – 11:20 | ESO to highlight notable points from the published report | ESO |
| 5 | 11:20 – 11:30 | ESO to take questions on the published report | ESO |
| 6 | 11:30 – 12:00 | Ofgem to give feedback on ESO performance | Ofgem |
| 7 | 10:05 – 10:30 | Review actions & AOB | All |

Participants

| Name | Company |
|--------------------------|---------|
| Simon Targett | ESO |
| Phil Smith | ESO |
| Filippos Panagiotopoulos | ESO |
| Jillian Wells | ESO |
| Cathy Fraser | ESO |
| Mark Robinson | ESO |

| Name | Company |
|------------------|---------|
| Samar Ahmed | Ofgem |
| James Hill | Ofgem |
| Matthew Fovargue | Ofgem |
| Adam Gilham | Ofgem |

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, unlikely to take place before BP2 period</i> | Open |
| 45 | 133 | 07/07/22 | TBC | ESO | Categorisation of balancing costs: ESO to share breakdown of costs for previous months once the categorisation issue has been corrected. <i>Latest – ESO currently unable to provide a date for resolution</i> | Open |
| 46 | 142 | 01/08/22 | 30/08/22 | Ofgem | Approve minutes from monthly meetings from May onwards. <i>Update - Ofgem to respond on 9 Jan</i> | Open |
| 48 | 148 | 29/09/22 | 25/10/22 | ESO | ESO to provide more clarity on cost saving actions in future meetings. <i>Update – Adam Gilham to arrange session with Tom Carr</i> | Open |
| 49 | 150 | 28/11/22 | 31/01/23 | Ofgem | End of Scheme report / events. Ofgem to provide detailed timeline for end of scheme report / events. | Open |
| 49 | 151 | 28/11/22 | 31/01/23 | ESO | Post report engagement / timeline – to be added to agenda at a future meeting | Open |
| 49 | 154 | 28/11/22 | 31/01/23 | ESO | ESO to add an agenda item in a future month to discuss the reporting of CBAs in end-of-scheme report. | Open |
| 50 | 155 | 09/01/23 | 31/01/23 | ESO | NEW ESO to arrange a session with Ofgem in the Control Room in Wokingham for the ESO to walk through operational decision making in person. | Open |
| 50 | 156 | 09/01/23 | 31/01/23 | ESO | NEW ESO to arrange a session with Ofgem to talk through the timeline of decisions and actions taken on 12 December 2022 | Open |
| 50 | 157 | 09/01/23 | 13/01/23 | ESO | NEW ESO to arrange session to discuss development of the Metric 1A benchmark | Open |
| 50 | 158 | 09/01/23 | 31/01/23 | ESO | NEW ESO to arrange End-Scheme Value for Money early view meeting for February | Open |
| 50 | 159 | 09/01/23 | 13/01/23 | Ofgem | NEW James to follow up regarding alternative costs and methodology by email | Open |

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|----|-----|----------|----------|-----|---|------|
| 50 | 160 | 09/01/23 | 31/01/23 | ESO | NEW Future of balancing services newsletter- ESO to look into Ofgem suggestion for this to be a more regular publication. | Open |
| 50 | 161 | 09/01/23 | 13/01/23 | ESO | NEW ESO to confirm if the minor components data issue impacts both costs and volumes | Open |
| 50 | 162 | 09/01/23 | 13/01/23 | ESO | NEW Jill – We are hoping to include the NTC data in the next MBSS report. Action: ESO to provide an update on including the NTC data in the next MBSS report. | Open |

Discussion and Questions

1. Discussion around Role 1 Ofgem concerns (further to 16/12 email)

Discussion regarding the December email from Ofgem to the ESO raising the following three key concerns:

1. Details around alternative costs and methodology
2. Order of actions that the ESO takes (contingency and DFS) particularly 10th-12th December
3. Monday 12 December – what happened on the day, when were decisions made and what info did ESO have at the time.

High cost days:

Cathy said that there had been a conversation between Richard Smith and Craig Dyke on the subject of high cost days before Christmas. It was agreed that in depth analysis from the ESO would come through in the monthly incentives report, and via Ofgem questions through the incentives engagement. The ESO also walks through high cost days at the OTF.

It was agreed that Ofgem and the ESO would work together to try to ensure that questions asked regarding high costs days are clear and specific. The aim is to increase understanding on both sides, so that the ESO can give Ofgem the assurances that they need. It may be better to communicate briefly by phone to clarify questions, rather than relying on email questions and answers.

The ESO expected a lot of high costs days over Winter and are happy to go into detail on specific days, but where months have multiple high costs days, they wouldn't look to go into every day in detail.

Action: Cathy Fraser will arrange a date for Ofgem to spend some time in Wokingham to walk through despatch decisions in person for those who normally attend this monthly meeting. It may also be beneficial to bring people into this monthly meeting to talk through decisions made during the month. .

High cost day, 12 December 2022

Ofgem would like to understand the decisions made on that day:

- Was running coal the right decision with the info that the ESO had at the time?
- How did the day outturn with actions up to £6000/MWh, when things had looked normal earlier in the day? What drove the increase above forecast?
- Is there a flaw in how ESO forecast, that means a better forecast at DA would have led to a smoother ride through 24 hours, or was the forecast good enough?

- A DFS test was called, then coal was called in the morning, then later in the day coal was cancelled, but new actions became available at a very high price. What actions did the ESO foresee having available, and why did that change?
- Overall Ofgem would like to understand the clear story and timeline from that day.

Action: Cathy Fraser will arrange a separate session with Ofgem to set out the timeline and answer these questions.

2. SME slot – Balancing costs

November balancing costs: Filippos Panagiotopoulos talked through drivers of the month’s balancing costs.

Cathy Fraser noted that the Dispatch Transparency Event was insightful, and it was interesting to see that definition of skips varies across industry.

| Question | ESO response |
|--|--|
| Adam – Is the Minor Components issue ongoing, when will it be fixed and does it impact volumes as well as costs? | Yes, it is an ongoing issue, but we have identified the real costs behind the problem (Operating Reserve). We can’t give a date yet as we need IBM to make changes to the script and then run a test. Action: We will confirm re volumes and costs, but believe it impacts both. |
| Adam - How much involvement does the ESO want in developing the new benchmark for Metric 1A? | Action: The ESO is keen to be involved and will set up a separate session to discuss. |

Feedback on performance

| Area | Feedback |
|---|--|
| Future of balancing services newsletter | James - The document gave the status of market reform projects – this was really good, and gave the right level of info for industry. Ofgem would love to see this as a regular publication. Action: ESO to share this feedback and raise the suggestion internally |
| NTC | James - Really struggling to make progress on this. Worries that there’s a derogation that expires soon and they haven’t seen any information. As per email sent before Christmas. Jill – We are hoping to include the NTC data in the next MBSS report. Action: ESO to provide an update ASAP. Adam – It is a concern if there’s difficulty collating that info. Ofgem will be asked to make a decision very soon, so providing the information is vital. |

6. Review actions & AOB:

1. Simon provided an update on the ongoing Deep Dive sessions
2. End-Scheme report – Ofgem will provide the detailed timeline in due course

3. Value for Money – Ofgem agree that an early view meeting in February is fine. They want to see costs at a more granular level than role level, i.e. detail of activities where relevant, and explanation of drivers of variance. **Action:** ESO to arrange early view meeting for February.
4. Details around alternative costs and methodology. **Action:** James to follow up by email with more detail.

Previously Closed Actions

| Meeting No. | Action No. | Date Raised | Target Date | Resp. | Description | Status |
|-------------|------------|-------------|-------------|-------|---|--------|
| 49 | 149 | 28/11/22 | 5/12/22 | ESO | ESO to provide details of the balancing cost savings made through the coal contract proving runs on 25 and 27 October. | Closed |
| 49 | 152 | 28/11/22 | 04/01/23 | ESO | 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. <i>Update – to be covered in the meeting on 31 January</i> | Closed |
| 49 | 153 | 28/11/22 | 04/01/23 | Ofgem | 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 <i>Update – Data required but macros can be removed</i> | Closed |