

# Incentives Monthly Monitoring Meeting

## Meeting Minutes (October 2023-24)

### Details

Date:	<b>05 December 2023</b>	Location:	<b>Teleconference</b>
Time:	<b>14:30 - 16:30</b>	Meeting Number:	<b>61</b>

### Agenda

Ref	Title	Owner
1	<b>Balancing costs monthly update – Yuchang Wang &amp; Filippos Panagiotopoulos</b>	ESO
2	<b>Interconnectors Delivery Check - Faraz Saeidi-Samani</b>	ESO
3	<b>ESO to highlight notable points from the published report</b>	ESO
4	<b>ESO to take questions on the published report</b>	ESO
5	<b>Ofgem to give feedback on ESO performance</b>	Ofgem
6	<b>Review actions &amp; AOB</b>	All

### Participants

Name	Company
Simon Targett	ESO
Filippos Panagiotopoulos	ESO
Mark Robinson	ESO
Lizzie Blaxland	ESO
David Dixon	ESO
Zofia Przybyl	ESO
Nicolas Robertson	ESO

Name	Company
Nicolas Achury Beltran	ESO
Yuchang Wang	ESO
Faraz Saeidi-Samani	ESO
James Hill	Ofgem
Shubh Mehta	Ofgem
Luke McCartney	Ofgem
Matthew Fovargue	Ofgem

## Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
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 – Data issue still being worked on</i>	Open
55	187	01/06/2023	30/06/2023	ESO	Clarify with David Lenaghan the exact concerns regarding publishing BMU-level data in the public domain, and let Ofgem know. <i>Update – Meeting held with Ofgem, first anonymised data published, ESO to share sample data this week</i>	Open
59	209	02/10/2023	31/10/2023	Ofgem	Adam to send email to confirm if benchmarks for 1B and 1C are correct to use. <i>Update – ESO provided data to Ofgem on 17 Nov. Ofgem still reviewing</i>	Open
60	210	14/11/2023	01/12/2023	ESO	Lizzie to see if review of storm events can be shared externally, send across if ok. <i>Update – ESO can bring someone to discuss storm prep at a later date. We're waiting for confirmation of whether we can share externally.</i>	Open
60	211	14/11/2023	01/01/2024	ESO	Set up further discussions on PN misalignment once more analysis has taken place. <i>Update – ESO have commenced with calculations and should be ready by end of December</i>	Open
60	212	14/11/2023	23/11/2023	ESO	Check meeting expectations figures and make sure it is using 5% points methodology across Role 1 and 2. <i>Update – ESO sent table to Ofgem on 20 Nov to review, awaiting response</i>	Open
60	213	14/11/2023	01/12/2023	Ofgem	Ofgem to send response to delivery schedule connections reform updates. <i>Update – Received from Ofgem on 22 Nov. ESO to provide update. With connections reform team</i>	Open
60	214	14/11/2023	01/12/2023	Ofgem	Ofgem to double check email regarding delivery schedule milestone updates and respond to ESO. <i>Update – Response received from Ofgem on 22 Nov. ESO to send milestone description and dates before updating.</i>	Open

61	215	05/12/2023	31/12/2023	Ofgem	<b>NEW</b> - Ofgem to think about what deep dive topics they would like to see covered in early 2024	Open
61	216	05/12/2023	31/12/2023	ESO	<b>NEW</b> - ESO to provide response regarding what goes into ESO reasoning when planning CNI outages?	Open
61	217	05/12/2023	31/12/2023	ESO	<b>NEW</b> - Provide more detailed response to: The Czech Republic TSO CEPS went into Alert state on the European Awareness System (EAS) for loss of tools and facilities. How much does that impact the ESO's job on a day-to-day basis? Was there much coming through there that impacted your ability to balance the system or is it just note the other TSO's were having difficulty that day as well? What actions does the ESO take when situations like this occur, and specifically on this day (if any). Did they make additional trades, add operating reserve, arm extra MFR etc	Open
61	218	05/12/2023	31/12/2023	ESO	<b>NEW</b> – ESO to provide update on 1G data issue	Open

## Discussion and Questions

Introduction by Phil about what will be discussed and the agenda. Also introductions were done for everybody on the call due to several new faces on the call.

Nicolas Robertson gave an overview of the successful dispute raised for a high cost BOA on 25 Jan 23 for Metric 1A.

Area/Question/Feedback	ESO Response
Luke: What was the cost impact of this?	Jill: It wasn't a huge amount of money. It was in the tens of thousands and not hundreds of thousands.
James: Does this mean the benchmark for 1A requires resetting?	Jill: No it doesn't as it is a tiny change with pretty much no impact. If we thought it did have a significant impact we would work it out and let you know. Happy to take away questions after the session.

## 1. Balancing costs monthly update – Yuchang & Filippos

Phil gave an overview of Metric 1A explaining performance v benchmark. Phil passed to Yuchang to go through the balancing costs performance for October 2023. Yuchang passed to Filippos halfway through to continue going through the presentation before explaining the cost comparison for non-constraint and constraint costs.

**October balancing costs:** Filippos Panagiotopoulos talked through drivers of the month's balancing costs.

Area/Question/Feedback	ESO Response
<p>Luke: On energy imbalance. Costs were high this month and the highest they have been for quite a while. I noticed, from the presentation, that the market's been considerably shorter than it is usually. Is the ESO seeing anything that's changing market behaviour that's making the market more shorter than it really is? Are you noticing anything in the trends?</p>	<p>Filippos: No. We are going slowly towards the winter period. We had some very difficult days of Storm Babet at the end of the month, and we had some demand forecasting errors as well throughout the month.</p>
<p>Luke: The Czech Republic TSO CEPS went into Alert state on the European Awareness System (EAS) for loss of tools and facilities. How much does that impact the ESO's job on a day-to-day basis? Was there much coming through there that impacted your ability to balance the system or is it just note the other TSO's were having difficulty that day as well?</p>	<p>Filippos: As an information that could potentially affect the interconnectors' behaviour, but nothing strange happened on that day.</p> <p>Jill: It's important to remember that from a GB perspective, all of Europe is one system. So even though the Czech Republic is a long way away, the impact of that rolls through Europe and then potentially impacts our access to the interconnectors or our ability to influence the direction of flow.</p>
<p>Luke: How much difficulty did that cause the control room on that day? Just trying to see why the Czech TSO would have an issue?</p>	<p>Jill: It's a potential limitation on our options. I think it depends on how that situation develops will impact, particularly regarding interconnector flows and how much influence we can have over those.</p>
<p>Luke: I think something is missing from the presentation. What was happening on the B6 boundary this month? or what was happening on the different boundaries? Maybe another slide gives us a bit more detail what's happening in the constraints areas.</p>	<p>Jill: Filippos did call out that the Western link was restricted. So I think where there is a significant unusual impact Filippos will include that in the slides.</p> <p>Filippos: Yes. Just to note, we had 20 more planned outages this month compared with the same month of the previous year. I called this out on a previous slide where we compare this month with the previous month and the same month last year.</p>
<p>Shubh: Around Storm Babet, I was just curious what is ESO's analysis on these storms? What are the challenging areas you find around forecasting, especially when forecasting storms now they are more frequent? How do you see what lessons you have learned in reducing the forecasting error on storm days?</p>	<p>Jill: We don't have the correct people on this call to answer those questions. We are planning to do a piece at the OTF sometime in the near future around how we prepare for storms and manage storms which may answer part of your question. If you would like to send your question through on an e-mail to myself or Phil or Lizzie, then we'll make sure that the appropriate team within the ESO can answer that for you properly.</p>
<p>James: October the 9th is highlighted I think to say that it's low cost? We've highlighted that there is a demand forecast error that was quite large. Are they linked points or are you just highlighting that there is a particular day where demand forecast was bad?</p>	<p>Filippos: I wanted to highlight this day, specifically the 8th and the 9th, that we had the highest demand forecast error to see if any correlation with the cost was. It wasn't a very expensive day, so the high demand error didn't affect the cost. It was just informative.</p>
<p>James: You've got a few quite useful maps in the slides. There's a map showing wind across the country. Is that wind output? These maps are very useful.</p>	<p>Filippos: Yes, this is the wind output from Scotland, England, and Wales. The red in the wind graph is only the wind curtailment.</p>

**2. Interconnectors Delivery Check - Faraz Saeidi-Samani**

Faraz gave a presentation to showcase a new tool the ESO have put in place in the Trading team to look at the delivery of interconnector trades. Since August 2023, the ESO has built a new tool which checks each individual trade on the Interconnectors separately to see whether they have been delivered or not. Faraz explained the benefits of this new tool highlighting an example where we found out that a new counterparty participating in our interconnector auctions was not delivering the agreed trades. Then after speaking with the counterparty we agreed that their process was inadequate to deliver the agreed trades. We mutually agreed to exclude them from our interconnector auction for a period of a month until corrective measures were implemented. Since being reinstated no further non-delivery has been noted from them. This new process is now part of a daily process in the Trading Team to check for delivery checks.

Area/Question/Feedback	ESO Response
James: What time frame are you making the trades in?	Faraz: Most of the time it will be on in-day time scales. The gates close on the interconnectors an hour and 15 minutes before delivery. Apart from Eleclink, which have a longer period of time. So we are doing this before post gate closure of interconnectors.
James: Have you done any analysis of how often your prediction of the comparative BM cost was wrong such that you shouldn't have made the trade?	Faraz: We have BM alternative actions in terms of what the BM alternative action is at the point in time where we are making the trade. So if we are not then beating the BM alternative action that the control room have access to then we won't be doing that trade because the control room have better prices available to them to make that call on the BM units.
James: You're not making a forecast of what might be available. You're making a comparison against what is available. Is that right?	Faraz: Yes its' what is available at the time.
James: There was a party that you excluded from the auction for a while, as they were not up to standard. How did that happen in the 1st place? Was this just an oversight or maybe processes? presumably they went through some pre requirements and checks? Then did you add extra checks when you allowed them to come back? Or did they show you that they'd fixed the problem that you'd identified?	<p>Faraz: Yes they there were a new counterparty participating in the interconnector auction and they had a big team. Not all the teams were aware of what the requirements are and what the sort of capacity times to purchase the capacities are because the ESO doesn't hold any capacities on the interconnectors. Hence why we go to the market. They were honest that the team needs more training on their side of things and together agreed we'll give them a month to make everyone in the teams, who put in bids and offers into our auctions aware of the auction requirement. Since they have been back we haven't seen any discrepancies between the traded data versus the delivery data.</p> <p>There is an onboarding process. Once the agreement is in place and all the settlement team have placed them in our trading system, we have a call with them. We make them aware of what the requirements are. We go through an example in a test platform and we have T&amp;C's they have to abide by.</p>
James: It sounds like the right corrective action was taken so that's good.	

Luke: Were the parties aware you were building this tool? Did you expect to see more like you did, and catch counterparties out?

Faraz: They were unaware we were building this tool. We did see more in August and September. In November there has only been a handful so are seeing a downward trend now which is good news. The high numbers were coming out from the new counterparties in the early months.

Sometimes a counterparty owns up to error that's happened on their side. Most things on their side are automated so the IT systems sometimes don't function the way they should. We always incentivise them to tell us as early as possible, so then we are aware if they can't deliver a trade. Then we can take alternative action and make the control room aware as soon as possible.

**3. ESO to highlight notable points from the published report**

Metric and RRE scores from latest month were shown.

**4. ESO to take questions on the published report**

Area/Question/Feedback	ESO Response
Matthew: On CNI outages. What goes into your reasoning when you plan those outages?	<p>Phil: We may not have the right people on the call to answer that.</p> <p>David: I can't provide a comprehensive answer, but they do look at the system conditions. If it's going to be particularly tight and I think that was one of the learnings from one of the recent outages in August where they still managed to perform the system outage even though the systems were tight, but they've definitely improved the communication channels since then.</p> <p>Lizzie: I don't think it's a coincidence that the outage was taken on the lowest cost day. They'll choose a perfect time with not much wind and its calm.</p>

**Previous Ofgem Feedback**

Simon went through previous Ofgem feedback and gave updates on progress.

**5. Ofgem to give feedback on ESO performance**

Area/Question/Feedback
<b>Role 1</b> - Positive feedback for Market Monitoring team who recently held a session with Ofgem's Domestic Market Management team on the methodology used to look at behaviour relating to IOLC - this was a very useful session

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**Role 2 - Market Change Delivery** - at the moment it feels a little "chaotic" - there's issues with submissions, submissions being pushed back and plans up in the air (3 different C16 timelines have been sent to Ofgem within a week). A consistent approach is needed and Ofgem's hope is that this is a temporary period before things calm down and become clearer.

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**Role 2 - DFS** - concerns remain with how it has been implemented. Decision to approve DFS was granted on the basis of economic efficiency and extracting consumer value where you can, and at the moment it doesn't feel like these are being met. Ofgem suggests ESO needs to work hard to convince them there is real value for money in the way the service has been designed. Ofgem and ESO have a session on Friday and areas they want to discuss include:

- what it's costing consumers
  - what value are ESO extracting from it?
  - decision making between 7 day ahead forecast and BMRS notification.
  - confusion around bids that have been accepted
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**Role 3 - Positive feedback generally across Role 3 activities** with activities progressing but recognition there is still a lot to do in connections

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**Role 3 - FES** - a thank you to FES team for the work gone into changes as a result of SSEP and CSNP. ESO recognised a risk to the FES framework and came to Ofgem with solutions.

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## 6. Review actions & AOB:

1. Reviewed the previous actions as listed above, updates have been noted.
  2. AOB
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### Topic

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**Deep Dive topics** – Simon asked if there are any topics Ofgem would like to cover in early 2024 and to go away and think about it and get back to us. James mentioned maybe a value for money session where an example is presented. This to be discussed further during a meeting on Friday 8 December. **ACTION** – Ofgem to think about what deep dive topics they would like to see covered in early 2024

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**Mid-Year Feedback** – Simon asked for an indication of how big the feedback will be that Ofgem provide on 15 December just so resource can be planned to go through it from the ESO end. Ofgem confirmed it will not be a massive document. Then for feedback sessions it was suggested that we set up some sessions towards the end of January with each role, an hour, to feedback and go through any questions/clarify points there might be with Ofgem.

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**1C Wind Forecasting – associated reporting update**

Phil gave an update on each thread of the associated reporting, highlighted, and summarised in the below table and that we will share sample data by the end of this week.

Latest status on associated reporting as follows:

Half hourly and unadjusted for BOAs for BM wind units	• Day ahead wind forecast	✓	Now published on Data Portal
	• Metered wind outturn		Readily available on the BMRS
	• Wind capacity	✓	Now published on Data Portal
Half hourly broken down by BM wind unit:	• Day ahead wind forecast	✓	Now published on Data Portal
	• The closest to real time wind forecast	✓	Now published on Data Portal
	• Metered wind outturn		Readily available on the BMRS
	• An indication of whether in that half hour a BOA was issued for that site	✗	To do - ETA end of FY24
	• The associate volume specified in any BOA for that site	✗	To do - ETA end of FY24
	• The locational tag to BM wind unit forecasts	✗	Awaiting clarity from Ofgem

**1G Carbon intensity – missing data update**

Phil gave an update on 1G missing data – “In August, September, and October our reporting had a few days’ missing or incorrect data. We do not expect these to have a significant impact on the reported figures. We have put a fix in place with updated code and are awaiting IT support to implement a more robust fix. November data is complete.”



## Previously Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
44	127	09/06/2022	September 2022 tbc	All	Organise wind forecasting deep dive sessions	Closed
53	177	30/03/2023	28/04/2023	ESO	Provide more information on is there a threshold at which wind becomes a problem. Set up a session on it after BP1 to discuss more in depth.	Closed