nationalgridESO

Incentives Monthly Monitoring Meeting
Meeting Minutes (August 2021 Report)

Details

Date:	**Tuesday 5 October 2021**	Location:	**Teleconference**
Time:	**10:00 - 12:00**	Meeting Number:	**37**

Agenda

Ref	Time	Title	Owner
1	*10:05 – 10:20*	**SME slot – Balancing Costs**	*ESO*
2	*10:20 – 10:40*	**SME slot – Dynamic Reserve Setting**	*ESO*
3	*10:40 – 10:50*	**ESO to highlight notable points from the published report**	*ESO*
4	*10:50 – 11:00*	**ESO to take questions on the published report**	*ESO*
5	*11:00 – 11:10*	**Ofgem to give feedback on ESO performance and report format**	*Ofgem*
6	*11:10 – 11:20*	**Review actions & AOB**	*All*

Participants

Name	Company	Name	Company
Jenny Mills	NG ESO	Alastair Owen	Ofgem
Phil Smith	NG ESO	Alice Siri	Ofgem
Nigel Swan	NG ESO	Eze Ejiogu	Ofgem
Gabriel Griffin-Booth	NGES0	Luke McCartney	Ofgem
Jessica Rivalland	NGESO	Luke Jones	Ofgem
Adam Gilham	Ofgem		

Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
37	**106**	05/10/21	15/10/21	ESO	ESO to investigate possible gaps in the data for Operating Reserve trades volume	Open
37	**107**	05/10/21	15/10/21	ESO	ESO to provide written response to Balancing Costs questions	Open

Discussion and Questions

1. Balancing Costs

Nigel Swan talked through the August balancing costs, highlighting the main drivers of performance and cost saving actions taken by the ESO.

August balancing costs were higher this year than for the same period last year. Constraint costs continue to outturn lower than last year as a result of low levels of wind and changes made as a result of recommendations in the Frequency Risk and Control Report (FRCR). Non-constraint costs have risen sharply as tight system margins and high gas prices have driven up prices in the Balancing Mechanism (BM).

Average daily demands were fairly consistent with last year however the daily minimums are generally slightly higher this year than last year. Wind output was higher in August than July but has remained lower than August for the previous two years. The sustained pattern of low wind is reflected in the low levels of Thermal constraint costs observed this year. Thermal constraint costs were lower in August then July due to better network availability, but constraints costs increased overall due to higher costs of synchronising machines for voltage support.

Nigel also talked through cost saving actions that were taken by the ESO during August.

Question	ESO response
Regarding Energy Imbalance, the volume is due to the system being significantly shorter than the previous month. Is there a driver for this?	It was market driven and based on individual companies buying and selling against forecasted wind output. If suppliers have overestimated on how much wind is on the system, then the system will generally be shorter. Various companies use different weather stations and have their own individual forecasts.
On the Operating Reserve volume increase, is that driven by tight margins?	Lower wind levels and good network availability have meant there have been less margin constrained. However, ESO still need to procure a large amount of operating reserve because of tight margins, and to ensure ESO have enough to cover potential fluctuations in demand. The difference in August has been the cost of this margin, which has been discussed at the Operational Transparency Forum.
Regarding the Operating Reserve graph, the trades were £1.19m, however there are gaps in the data for volume.	We will investigate this and provide a response.
Were smaller BMUs taken in merit order, or as a result of their characteristics?	Smaller BMUs were sent balancing actions when this was the cheapest action given the circumstances. Flexible plant such as smaller BMUs is particularly useful when large changes in wind output take place earlier or later than forecast.

2. Dynamic Reserve Setting

Gabriel Griffin-Booth (ESO) presented on the Dynamic Reserve Setting (DRS).

The Smith Institute is supporting ESO to adopt a new, fully dynamic day-ahead approach to scheduling reserve to boost the efficiency of balancing actions and improve value for consumers. The ESO aims to develop a proof-of-concept Machine Learning model to use variables like temperature and wind forecast data

to create reserve levels that better account for the day-to-day variability in weather. Machine learning algorithms will be developed to more accurately predict reserve requirements.

Phase 1 starts in October with a first live trial planned for the beginning of November 2021.

3. ESO highlight notable points from the published report

Jenny Mills (ESO) talked through the key points from the August report.

4. ESO to take questions on the published report

N/A

5. Ofgem to give feedback on ESO performance and monthly report format

Ofgem mentioned the feedback provided when they issued the decision on Dynamic Containment in STOR and commented that it appears the team are acting on this.

6. Review actions & AOB:

The ESO and Ofgem reviewed and updated the previous actions.

Previously Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
36	102	03/09/21	10/09/21	ESO	ESO to follow up with Ofgem regarding the generation mix	Closed
36	103	03/09/21	10/09/21	ESO	ESO to respond to Ofgem's query regarding the inclusion of Black Start as part of Constraints in Metric 1A	Closed
36	104	03/09/21	10/09/21	ESO	ESO to respond to Ofgem's question regarding trends in within-year outage change requests	Closed
36	105	03/09/21	10/09/21	ESO	ESO to respond to Ofgem's query regarding the implementation of new products	Closed