

# Incentives Monthly Monitoring Meeting

## Meeting Minutes (September 2021 Report)

### Details

Date:	<b>Tuesday 2 November 2021</b>	Location:	<b>Teleconference</b>
Time:	<b>10:00 - 11:00</b>	Meeting Number:	<b>38</b>

### Agenda

Ref	Time	Title	Owner
1	10:05 – 10:20	<b>SME slot – Balancing Costs</b>	ESO
2	10:20 – 10:35	<b>SME slot – Forecasting</b>	ESO
3	10:35 – 10:45	<b>Ofgem to give feedback on ESO performance</b>	Ofgem
4	10:45 – 10:55	<b>Review actions &amp; AOB</b>	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
Oliwia Milek	NG ESO	Luke McCartney	Ofgem
Jessica Rivalland	NG ESO	Luke Jones	Ofgem
Maryam Khan	Ofgem	Adam Gilham	Ofgem
David Beaumont	Ofgem		

### Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
37	106	5/10/2021	23/11/21	ESO	ESO to investigate possible gaps in the data for Operating Reserve trades volume	Open
38	108	02/11/21	04/11/21	Ofgem	Send through questions on Mid Year report	Open

38	110	02/11/21	23/12/2021	All	Discuss updating deliverables in Delivery Schedule to account for changes due to Brexit and Offshore Coordination	Open
38	111	02/11/21	22/11/2021	All	Consider revising balancing costs metric benchmarks	Open
38	112	02/11/2021	22/11/2021	Ofgem	Consider forecasting reporting- decimal places and treatment of triads	Open

## Discussion and Questions

### 1. Balancing Costs

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

September's costs were significantly higher this year than last year driven by a significant increase in energy costs. Constraints, RoCoF and Restoration costs were all lower this year and Energy costs accounted for over three quarters of the total cost. Operating Reserve was the main driver of the change in energy costs as higher BM prices and tight margins impacted the cost of reserve. September costs were higher than August with more spent on energy balancing, reserve and response, Constraints and Reactive. Less was spent on RoCoF and Restoration.

Demand has become more consistent since August. However, the key data related to costs was the daily minimums. ESO set a threshold to study ODFM if demand dropped below 16GW with the assumption that anything above 16GW was securable. Studies showed that it was most likely operable below 16GW, but it was decided to re-instate the ODFM service as the lowest credible demand was below 16GW. RoCoF costs have fallen significantly because of the Frequency Risk and Control Report changes. As a result of the procurement of Dynamic Containment, the Accelerated Loss of Mains Change Program and other measures such as fault ride through, the ESO have been able to change the way in managing the RoCoF risk resulting in a notable reduction in cost.

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

### 2. Forecasting

Oliwia Milek (ESO) presented an issue which had arisen when compiling the mid-year incentive reports, where it was unclear how figures for metrics 1B (demand forecasting) and 1C (wind generation forecasting) should be rounded, and this could make the difference between performance for 1B being below or meeting expectations. Adam Gilham (Ofgem) agreed to take the question away and provide guidance for future reports.

Oliwia also requested confirmation on how triad avoidance should be treated: this issue could arise from November onwards. In previous years, the ESO has adjusted for the impact of triad avoidance and included this data within the overall figures. Adam agreed to also take this question away and provide guidance.

### 3. Ofgem to give feedback on ESO performance

For the Value of Money section in the Mid Year report, Ofgem would like more detail in situations where the costs incurred were significantly different from the benchmark. On this occasion, additional information will be required for Roles 1 and 2.

**6. Review actions & AOB:**

The ESO and Ofgem reviewed and updated the previous actions and several new actions were added. Performance panel logistics were discussed.

**Previously Closed Actions**

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
35	100	8/12/2021	8/31/2021	All	Ofgem to send through examples of times they are asked for a legal view. ESO to discuss internally and agree approach	Closed
35	101	8/12/2021	8/31/2021	Ofgem	Ofgem to send follow up questions on the specific confidential balancing cost saving actions if further clarity is needed	Closed
38	109	02/11/21	08/11/21	Ofgem	Send through Call for Evidence responses	Closed