

Incentives Monthly Monitoring Meeting

Meeting Minutes (August 2022-23 Report)

Details

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|-------|-----------------------------------|-----------------|-----------------------|
| Date: | Thursday 29 September 2022 | Location: | Teleconference |
| Time: | 10:00 - 12:00 | Meeting Number: | 48 |

Agenda

| Ref | Time | Title | Owner |
|-----|---------------|--|-------|
| 1 | 10:05 – 10:20 | SME slot – Balancing Costs | ESO |
| 2 | 10:20 – 10:35 | SME slot – Demand Flexibility Service | ESO |
| 3 | 10:35 – 10:45 | ESO to highlight notable points from the published report | ESO |
| 4 | 10:45 – 10:55 | ESO to take questions on the published report | ESO |
| 5 | 10:55 – 11:05 | Ofgem to give feedback on ESO performance | Ofgem |
| 6 | 11:05 – 11:15 | Review actions & AOB | All |

Participants

| Name | Company | Name | Company |
|--------------------|---------|--------------------------|---------|
| Katherine Munns | NG ESO | Filippos Panagiotopoulos | NG ESO |
| Simon Targett | NG ESO | Kirsten Nazareth | NG ESO |
| Kyle Martin | NG ESO | Samar Ahmed | Ofgem |
| Phil Smith | NG ESO | James Hill | Ofgem |
| Cristian Ebau | NG ESO | Adam Gilham | Ofgem |
| Nicholas Robertson | NG ESO | | |

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>Update - Review priority with respect to the 18 month deep dive sessions – Ofgem to confirm</i> | Open |

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| 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>Update – ESO to provide more detail on this issue, via a separate session or written update</i> | Open |
| 46 | 142 | 01/08/22 | 30/08/22 | Ofgem | Approve minutes from monthly meetings from May onwards. | Open |
| 47 | 146 | 30/08/22 | 06/10/22 | ESO | ESO to provide early clarity on activities that have been de-prioritised as a result of winter priorities (e.g. work on DFS). <i>Update: The ESO will arrange a session with the Ofgem performance team to discussion prioritisation including FRR.</i> | Open |
| 48 | 147 | 29/09/22 | 13/10/22 | ESO | ESO to provide more detail on the rationale for 12 tests for DFS. | Open |
| 48 | 148 | 29/09/22 | 25/10/22 | ESO | ESO to provide more clarity on cost saving actions in future meetings. | Open |

Discussion and Questions

1. Balancing Costs

Data issue: Nicholas Robertson gave an update on the ongoing data issue that is impacting the categorisation of balancing costs.

| Question | ESO response |
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| This issue has been going on for a while now - what is the root cause | We put tags on system actions from the control room, and the issue is that we now use the same BMU for the same settlement period more than once, but the system only tags based on the last occasion. |
| What system is this? | It is an algorithm called BAAR. When a BOA comes in, the algorithm allocates a reason to it, for energy actions only. Reasons for system actions are assigned manually. For energy actions, the BAAR algorithm considers a number of pieces of data and automatically assigns the reason that the BOA was taken. |
| Who is resolving this issue, the insight team or IT? | Both are involved. IT would need to tweak the code and help us understand what is going on 'in the background'. The Operational Insight team does not have sight of the 'back end' of NED System which BAAR belongs to. |
| Does the issue impact anything other than incentives reporting and MBSS? Is it impacting any other analysis done by the ESO or any other processes? | Post-meeting update: It impacts how we analyse actions taken, for both energy and system actions. Other teams that use the data in their analysis have been made aware of the issue. |

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| Ofgem would like to see updates on this issue in future monthly meetings. | The ESO will look into providing a written update or arranging a separate session to discuss this in more detail. We continue to learn to understand what the algorithm is doing and will update Ofgem on progress. |
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August balancing costs: Filippos Panagiotopoulos through drivers of the August 2022 balancing costs and some of the cost saving actions taken by the ESO during the month.

| Question | ESO response |
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| Can the ESO provide more explanation of what actions they are taking specifically that save costs? | In future months we will be clearer on the actions taken and how they reduce costs, outside of BAU activity. |

2. Demand Flexibility Service

Kyle Martin talked through the new Demand Flexibility Service.

Post-meeting update: Below we have refined the answers given in the meeting, for additional clarity

| Question | ESO response |
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| Is the 30 minute minimum delivery period tied to settlement period and what happens if customers don't strictly adhere to this timing? | The requirement for participants to turn down for at least 30 minutes provides the minimum duration for participation in the scheme while aligning it with the duration of a settlement period. Payment will be based on what is provided during each half hour period – no penalties are applied due to the type of participants taking part in the DFS. A shorter window would be impractical from a tendering and administrative perspective. |
| Could a longer period be used? From a supplier's perspective, this might lead to more people taking action. | Testing will be based on one-hour windows. For actual events we could see DFS being used for several hours at a time. Some SMEs and I&C are likely to prefer 30 minutes if they have certain processes that can't be turned down/switched off for longer. This also gives granularity if needed and suppliers/aggregators are free to use MPANs in different units to achieve the turn down volumes they're bidding in. |
| Can bids of over one hour be linked? For example 50MW for 2 half hours vs 100MWs for 1 hour. | Yes that can be done. It will be down to suppliers to move their load to where it should be. |
| On benefits, at the moment the test service is an economic tool. Is that informing decision on price and does the ESO have an estimate on the benefits of cost and carbon reduction? | The aim of DFS is to secure as much additional DSR volume as possible for this winter. It is not an enduring product at this stage. The wider benefits from getting more DSR into our markets are more long term. We'll be using it over the peaks for testing this winter which will mitigate some of the costs associated with testing the service On carbon offsetting, there is no methodology yet but we can calculate rough carbon saving when looking at what the carbon intensity of the next action(s) would have been in the BM vs the DSR action. |

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| The test product could attract a price that could be offset in other areas – can the ESO evidence this | We've looked at the equivalent cost of coal contracts as benchmark – the testing of this product is cheaper. We'll also be testing DFS over winter peak periods where price distortions will be minimised. |
| Is 12 tests still the right number if we change the price? What is the rationale for this number. | We decided on two per month to give confidence over behaviour each month, with different weather conditions etc. We believe two onboarding tests also gives the right balance between incentivising participants to sign up and . We will include more information on this in our EBR submission to Ofgem. |
| Regarding the potential new FRR product. Over the last few weeks, the ESO has been moving at pace to deliver this, and deprioritising other activities as a result. Ofgem have requested meeting about prioritisation and would request that this is done asap if the ESO is keen to deliver FRR soon. Ofgem want to understand the prioritisation decisions being made. | The ESO will arrange a session with the Ofgem performance team to discussion prioritisation including FRR. |

6. Review actions & AOB:

Previously Closed Actions

| Meeting No. | Action No. | Date Raised | Target Date | Resp. | Description | Status |
|-------------|------------|-------------|-------------|-------|--|--------|
| 45 | 131 | 07/07/22 | August 2022 | All | BP2 Benchmark for Metric 1A Balancing Costs: ESO and Ofgem to come up with initial views regarding creating a BP2 benchmark to apply for this metric from 2023-24. <i>Update: Meeting to take place on 7 Oct</i> | Closed |
| 46 | 137 | 01/08/22 | 30/08/22 | ESO | ESO to provide a response on whether, if planned outages had been moved in June, constraint costs would have been lower. <i>Update - responses provided to Ofgem</i> | Closed |
| 47 | 144 | 30/08/22 | 05/09/22 | Ofgem | Various sessions with Panel – David Beaumont to speak to the Panel regarding 18-month report sessions, and the ESO's proposed dates for regular balancing cost sessions. Consider potential for balancing costs to be covered in the deep dive sessions instead of separate sessions. <i>Update – first sessions have been arranged</i> | Closed |

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| 47 | 145 | 30/08/22 | 05/09/22 | ESO | ESO SME to contact Ofgem regarding putting the Locational Constraint Market in the relevant balancing services guidelines document <i>Update – Ruby Pelling has been in touch with James Hill at the start of September</i> | Closed |
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