

Incentives Monthly Monitoring Meeting

Meeting Minutes (May 2024-25)

Details

Date:	10 July 2024	Location:	Teleconference
Time:	14:00 - 16:00	Meeting Number:	67

Agenda

Ref	Title	Owner
1	Balancing costs monthly update – Balancing Costs Team	ESO
2	Winter Outlook 2024/25 Early View – Ed Mellish	ESO
3	18-month report – All	ESO
4	ESO to highlight notable points from the published report	ESO
5	ESO to take questions on the published report	ESO
6	Ofgem to give feedback on ESO performance	Ofgem
7	Review actions & AOB	All

Participants

Name	Company
Simon Targett	ESO
Filippos Panagiotopoulos	ESO
Mark Robinson	ESO
Yuchang Wang	ESO
David Dixon	ESO
James West	ESO
Taran Sangha	ESO

Name	Company
Ed Mellish	ESO
Nicolas Achury Beltran	ESO
James Hill	Ofgem
Luke McCartney	Ofgem
Matthew Fovargue	Ofgem
Shubh Mehta	Ofgem
Adam Gilham	Ofgem

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Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
62	219	10/01/2024	31/01/2024	ESO	<p>ESO to provide a response on the magnitude and impact of the high demand forecasting errors</p> <p>Update – ESO have created a model to assess the cost impact of wind forecasts and demand forecasts. It is currently undergoing QA. Happy to share with Ofgem, set up possible deep dive session for early August - linked with action 235.</p>	Open
65	235	18/04/2024	31/05/2024	ESO	<p>Impact of Wind Generation on Constraints: ESO to share an overview of the balancing costs data we have so Ofgem can pick out the information they want to see Update – ESO have a new data portal we wish to share with Ofgem that can provide this information. Session to show Ofgem to be set up.</p>	Open
65	236	18/04/2024	30/06/2024	ESO	<p>ESO and Ofgem to have conversation about what and how a new data set can be used going forward in FY 24/25 Update – ESO have a new data portal we wish to share with Ofgem that can provide this information. Session to show Ofgem to be set up.</p>	Open
66	239	04/06/2024	30/06/2024	All	<p>Ofgem/ESO to setup a meeting with balancing costs team to show how the new dashboard works and trial if it provides the correct data needed.</p> <p>Update – Session to be set up to discuss</p>	Open
67	241	10/07/2024	31/07/2024	ESO	<p>NEW - ESO to set up a session to discuss 18 month report proposals and Ofgem to review prior to session.</p>	Open
67	242	10/07/2024	31/07/2024	ESO	<p>NEW - ESO to feedback to Wind forecasting team and provide clarity to Ofgem on what drove better performance in May</p>	Open
67	243	10/07/2024	31/08/2024	ESO	<p>NEW - ESO to produce paper, to send to Ofgem, explaining the minor components issue.</p>	Open

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Discussion and Questions

Introduction by Simon about what will be discussed and the agenda. Also gave an overview of balancing costs.

1. Balancing costs monthly update – Balancing Costs Team

May balancing costs: Yuchang Wang talked through drivers of the month's balancing costs.

Area/Question/Feedback	ESO Response
Ofgem asked about the increase in trades on certain days and whether they were for the same constraint boundary or if there was an uptake in overall trade.	ESO explained that those trades are mainly to manage the ESTEX constraint, but there are also some trades happening to manage the downward margin because of the renewable generation and demand situations.
Ofgem asked about the methodology for calculating trading savings and whether it was based on a counterfactual scenario.	ESO confirmed that the savings were calculated based on the volume-weighted average prices from the balancing mechanism, but they could provide more details on the methodology if needed.
Ofgem questioned the inclusion of a line for source demand and asked for clarification on its purpose.	ESO explained that source demand gave an indication of the total demand they needed to resolve in the system. That's the amount of wind that we have.
Ofgem raised questions about the characterisation of costs, specifically the minor components data issue and where balancing reserve is categorised in the report.	ESO clarified that the minor components data issue had been resolved and offered to provide more information if needed, and balancing reserve was categorised under STOR in the report. ACTION – ESO to produce paper, to send to Ofgem, explaining the minor components issue.
Ofgem raised concerns about the potential occurrence of future hot joint days and inquired if ESO was implementing measures to prevent high-cost days. They also requested a forward-looking view to ensure proactive steps are taken to avoid such situations.	ESO acknowledged the challenges in managing hot joints and confirmed that we were engaging with TOs to address the issues and reduce costs. We also recognised the importance of avoiding high-cost days and mentioned ongoing efforts to mitigate issues and improve the overall situation. We also provided more information on the hot joints issue via the chat during the meeting.

2. Winter Outlook 2024/25 Early View – Ed Mellish

Ed went through the winter outlook early view, focusing more specifically on how ESO develop our conclusions internally rather than the outputs of the report. The aim of the Early View report is to provide industry with advanced warning and analysis for the upcoming winter, allowing them to make necessary preparations. Ed invited any questions after the presentation.

Area/Question/Feedback	ESO Response
Ofgem asked about modelling worst-case scenarios and the margin around extreme conditions.	ESO confirmed that they simulate the full range of scenarios, including more extreme situations, but only publish the P-95 value.
Ofgem inquired about a risk matrix for different scenarios and their likelihood and impact.	ESO explained that we use signals (dashboards for all the relevant markets to try and get early warning signals through pricing), sensitivity analysis, and looking at scenarios to assess risks. Aiming to find the resilience to the largest credible shock.
Ofgem asked if the de-rated margin capacity graph considers factors like Transfer capacity across a boundary or minimum inertia on the system.	ESO clarified that the graph focuses on adequacy assessment and does not capture power system dynamics or specific constraints. ESO noted that Ofgem would like to keep this under review as the system evolves.
Ofgem raised concerns about understanding the modelling and how it translates into contingency actions.	ESO acknowledged the need for clearer communication and emphasised the intent to represent scenarios and changes in metrics more precisely.

3. 18-month report – All

Simon went through thoughts/proposals on some of the elements of the mid-year report that we would like a view from Ofgem on. This included value for money, stakeholder surveys and the plan delivery sections. Highlighting that the stakeholder survey decision is more time critical than the others as there is planning and prep work needed in advance of the surveys.

ACTION – Ofgem to take away and have a look at the thoughts/proposals for the 18 month report and ESO to set up a session to discuss these in more detail.

4. ESO to highlight notable points from the published report

Metric and RRE scores from latest month were shared.

5. ESO to take questions on the published report

Invited questions and feedback on the published report from Ofgem.

Area/Question/Feedback	ESO Response
Ofgem questioned what the reason was for improved wind forecasting performance in May as the commentary it was not completely clear from the report. Was it driven by ESO improvement actions or external factors? E.g. lower winds in May	The forecasting team were not present on the call so agreed to take away to provide further clarity. ACTION – ESO to feedback to Wind forecasting team and provide an answer to Ofgem.

6. Ofgem to give feedback on ESO performance

Invited questions and feedback on ESO's performance from Ofgem, or any general feedback they would like to give. Ofgem provided good general feedback.

7. Review actions & AOB:

Simon talked through the previous actions as listed above, updates to these actions are also listed in the table above. A notable update included:

- Action 224 – Ofgem confirmed they know seasonal performance affects the 2Ai benchmark and means it doesn't necessarily need to be changed in BP2. It could be looked at for BP3 instead. Confirmed action can be closed at this time.

AOB

- **Mid-Scheme Outcome** – ESO asked for an update on what elements will be published or shared just with us, with regards to the mid-scheme outcome. Ofgem's expectation is there will be a published document and a private letter, the level of detail is still yet to be decided.

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Previously Closed Actions

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
61	218	05/12/2023	31/12/2023	ESO	ESO to provide update on 1G data issue	Closed
65	237	18/04/2024	30/06/2024	ESO	ESO to draw out explanations to oddities more in the slides during monthly meetings to reduce questions asked.	Closed
66	240	04/06/2024	30/06/2024	ESO	ESO to share ESO's influence on BC projects that was removed from final report.	Closed
63	224	06/02/2024	29/02/2024	ESO	ESO to look into data feeding into constraints calculation for Metric 2Ai and provide an update to Ofgem	Closed