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Incentives Monthly Monitoring Meeting

Meeting Minutes (September 2024-25 performance)

Date: 13/11/2024 **Location:** Teleconference **Meeting Number:** 70
Start: 14:00 **End:** 16:00

Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
Simon Targett (NESO)	Attend	James Hill (Ofgem)	Attend
Phil Smith (NESO)	Attend	Luke McCartney (Ofgem)	Attend
Mark Robinson (NESO)	Attend	Matthew Fovargue (Ofgem)	Attend
David Dixon (NESO)	Regrets	Shubh Mehta (Ofgem)	Attend
Filippos Panagiotopoulos (NESO)	Attend	Laura Woolsey (NESO)	Attend
James West (NESO)	Attend	Yuchang Wang (NESO)	Attend
Nicolas Achury Beltran (NESO)	Attend	Adam Gilham (Ofgem)	Attend

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Agenda

Ref	Title	Owner
1.	Balancing costs monthly update – Balancing Costs Team	NESO
2.	IB & IC Forecasting update – Forecasting team	NESO
3.	Benefits reporting for End of Scheme report	All
4.	NESO to highlight notable points from the published report	NESO
5.	NESO to take questions on the published report	NESO
6.	Ofgem to give feedback on ESO performance	NESO
7.	Review actions & AOB	Ofgem

Actions

Meeting No.	Action No.	Date raised	Target Date	Resp.	Description	Status
67	243	10/07/2024	31/08/2024	NESO	NESO to produce paper, to send to Ofgem, explaining the minor components issue. Update – Work in progress. May also need a session with OFGEM to discuss approach to the data.	Open
68	244	05/09/2024	30/09/2024	NESO	NESO to set out how the savings on the ‘calculated savings’ slide were calculated and email to Ofgem. Update – David showed a draft schedule of dates to go through different methodologies, which Ofgem were happy with. Sessions to be arranged.	Open
69	250	16/10/2024	30/11/2024	NESO	NESO to send trading team slides to Ofgem with more	Open

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					information on this 29 th August BM outage scenario.	
69	251	16/10/2024	30/11/2024	NESO	NESO to send calendar invites for cost saving sessions on the agreed dates and topics. <i>Update – invites to be sent shortly</i>	Open
69	252	16/10/2024	30/11/2024	NESO	NESO to set up balancing cost strategy deep dive session before end of March 2025, to ensure detail that’s difficult to explain in writing is considered in Ofgem’s assessment.	Open
69	253	16/10/2024	30/11/2024	NESO	Organise session with Ofgem to show analysis of 3X and 3Y, for end of October. <i>Update – Session held, some actions to follow up on before closing.</i>	Open
70	254	13/11/2024	11/12/2024	NESO	NEW Check how often the SPICE issue occurs	Open
70	255	13/11/2024	11/12/2024	NESO	NEW Other countries alert statuses: Look into the prices and provide more detail on the impact these have in future updates.	Open
70	256	13/11/2024	11/12/2024	NESO	NEW Confirm whether the drop in transfer capacity on LE1 in October was due to a planned or unplanned outage.	Open
70	257	13/11/2024	11/12/2024	NESO	NEW Provide an update on wind herding behaviour this winter	Open
70	258	13/11/2024	11/12/2024	OFGEM	NEW OFGEM to provide feedback on CBAs in the mid-scheme report, including the new approach taken, and	Open

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recommendations for end-scheme.

Discussion and Questions

Introduction by Mark covering what will be discussed and the agenda, plus an overview of the balancing costs benchmark.

1. Balancing costs monthly update – Balancing Costs Team

September balancing costs: Laura Woolsey talked through drivers of September’s balancing costs.

Area/Question/Feedback	NESO Response
On the SPICE issues, why was the £285 offer taken?	The issue meant some bids and offers couldn't be accepted, leading to the decision to bring in a unit at that price to make up for the shortfall.
Does the SPICE profiling issue occur often?	It was identified and fixed quickly, impacting the system for about an hour. ACTION: We will check if it happens frequently.
On slide 16, why are interconnector offers at zero?	This relates to trading with the Irish system operators, where volumes and costs are treated differently. The data we're showing is correct. This is actual volumes between SOs.
On slide 17, what is the impact of other countries in alert status on NESO?	ACTION: We will look into the prices and provide more detail on the impact of other countries' alert status in future updates.
Was the LEI transfer capacity drop due to a planned or unplanned outage?	ACTION: We will check and provide an update.
Is wind herding behaviour from AR-4 and AR-5 units still occurring?	ACTION: We're still seeing wind herding behaviour and will provide an update after observing more over the winter.
Slide 21, can the savings from FRCR reduction be split between 140 GVA.s. to 130 GVA.s. and 130 GVA.s. to 120 GVA.s?	NESO will check with the team and provide the split in future updates.
Outage optimisation – are you capturing the impact on non-decisions? For example	We can discuss this in the individual savings sessions to understand the methodology behind

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if you've carried out an assessment and concluded that there was no consumer value in carrying out a certain activity, OFGEM would like to be made aware.

This needs to feed into a conversation about NESO actions and how they are delivering benefits. It's also clear that wind and thermal are the main drivers at the moment – do you need to be doing more? For example a B4 intertrip service. Can you keep a record of these activities and decisions in the monthly reports.

The main thing to keep in mind with all of the reporting is how well is NESO performing with regard to system operation and balancing costs, and making sure it's recorded and explained.

each saving. We are considering the possibility of extending what we've done on B6 to other boundaries.

2. 1B & 1C Forecasting Update

Forecasting team provided an update on Metrics 1B (demand) and 1C (wind) forecasting.

Area/Question/Feedback	NESO Response
Is there any reason why the forecast is above the outturn on the 3 daily graphs?	No, this is not a pattern.
You mention that demand forecasting is impacted by storms. Does weather data feed into the Demand forecast model?	It does, the main weather parameter is temperature. You don't necessarily see a temperature forecasting error when there is a storm, but you do see a significant difference in rainfall and illuminance. Our legacy model isn't as effective as it needs to be on those two factors.
You mention that the legacy wind model uses old met office weather forecasts – when can you use the new ones?	PEF v2 went live last Thursday evening (7 November 2024).

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3. CBA Discussion

Phil asked for feedback on the benefits reporting in the NESO mid-scheme report, including the new approach taken, and how benefits reporting fed into OFGEM’s mid-scheme assessment.

ACTION: OFGEM said they would come back to NESO with their feedback on the mid-scheme benefits reporting and what that means for end-scheme, potentially as part their 18-month feedback.

OFGEM agreed to NESO arranging a call to discuss the A7-A11 CBA.

4. NESO to highlight notable points from the published report

Metric and RRE scores from the latest month were shared. This view was a 6 month view as it was the 18 month report.

Area/Question/Feedback	NESO Response
Outstanding action on 2Ai re balancing reserve	We are working on a response and will share with OFGEM

5. NESO to take questions on the published report

NESO invited questions and feedback on the published report from Ofgem. No questions or feedback on the report specifically were asked/given.

Area/Question/Feedback	NESO Response
Just to note that there was an OFGEM/NESO meeting on RRE 3X and 3Y which was helpful, and a session set up to discuss 2E	n/a

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6. Ofgem to give feedback on NESO Performance

NESO invited questions and feedback on NESO's performance from Ofgem, or any general feedback they would like to provide. Feedback provided will be passed on to relevant teams. We also confirmed that feedback provided in the previous meeting has been shared.

7. Review actions & AOB

Previous actions were gone through and updates for them can be found above at the start of the minutes. Meeting then moved on to AOB.

- **Deep Dive update**

Codes	This topic picked up directly between the relevant NESO team and Ofgem.
Skip rates	There are already regular discussions taking place on skip rates. Ofgem find them useful and are happy for them to continue, but would like the deep dive to focus on what is useful for including in the end-scheme report and making sure that all the key is documented there, even if it's already been covered in separate discussions. NESO will arrange this session around Feb 2025.
Value for money	NESO aim to start the discussions with OFGEM towards the end of November.
Balancing costs	NESO balancing costs team will send an invite.

- **End-scheme report planning sessions discussion**

NESO to arrange a couple of sessions around the end November including new NESO implementation and events.

- **FSO transition update**

Regarding the Day 1 closure report, NESO will provide an update in one of the incentives reports ahead of end scheme. The Day 1 closure report will be submitted at the end of this November. It may be the same version that we include in an incentives report as an annex in December or January.

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Previously Closed Actions

Meeting No.	Action No.	Date raised	Target Date	Resp.	Description	Status
65	236	18/04/2024	30/06/2024	NESO	<p>NESO and Ofgem to have conversation about what and how a new data set can be used going forward in FY 24/25</p> <p>Update – Demonstration provided previously. Live dashboard now accessible for OFGEM.</p>	Closed
68	246	05/09/2024	30/09/2024	NESO	<p>NESO to share details of the sub-synchronous oscillation (SSO) events occurring in June with Ofgem, and arrange a more comprehensive update on SSOs and the actions we're taking.</p> <p>Update – We confirmed that there exists another forum to discuss the SSO events, of which Ofgem are part of. Ofgem confirmed that they are happy with this and just wanted to make sure there is an avenue to ask questions and ask for updates. Ofgem will progress any further questions through this other forum.</p>	Closed
68	247	05/09/2024	30/09/2024	NESO	<p>NESO to arrange a session to discuss metrics 1B and 1C in more detail.</p> <p>Update – Call took place on Friday 18th October.</p>	Closed
68	249	05/09/2024	30/09/2024	NESO	<p>NESO to arrange a separate session to discuss what good performance looks like on RRE 2E</p> <p>Update – Session arranged for 2 December</p>	Closed