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Incentives Monthly Monitoring Meeting

Meeting Minutes (October 2024–25 performance)

Date: 11/12/2024 **Location:** Teleconference **Meeting Number:** 71
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)	Attend	Shubh Mehta (Ofgem)	Attend
Filippos Panagiotopoulos (NESO)	Regrets	Laura Woolsey (NESO)	Attend
James West (NESO)	Attend	Yuchang Wang (NESO)	Regrets
Nicolas Achury Beltran (NESO)	Attend	Adam Gilham (Ofgem)	Regrets
John Walsh (NESO)	Attend	Zong Yan (Ofgem)	Attend

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Agenda

Ref	Title	Owner
1.	Balancing costs monthly update – Balancing Costs Team	NESO
2.	Forecasting monthly update – John Walsh	NESO
3.	NESO to highlight notable points from the published report	NESO
4.	NESO to take questions on the published report	NESO
5.	Ofgem to give feedback on NESO performance	Ofgem
6.	Review actions & AOB	All

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. Formal papers for minor components expected by January or February.	Open
69	250	16/10/2024	30/11/2024	NESO	NESO to send trading team slides to Ofgem with more information on this 29 th August BM outage scenario. Update – These will be shared in a few days after this meeting	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. Update – To be scheduled in the New Year	Open

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					Check how often the SPICE issue occurs	
70	254	13/11/2024	11/12/2024	NESO	<i>Update - Waiting for an internal update on how the spice issue occurs; update to be provided by the next meeting</i>	Open
					Other countries alert statuses: Look into the prices and provide more detail on the impact these have in future updates.	
70	255	13/11/2024	11/12/2024	NESO	<i>Update - Waiting for an internal update on countries alerts. We agreed to include how it impacts them when it occurs in a future month.</i>	Open
71	259	11/12/2024	15/01/2025	NESO	NEW NESO to confirm whether regulatory support is required for hot joints	Open
71	260	11/12/2024	15/01/2025	NESO	NEW NESO agreed to include a chart showing volumes in addition to costs in future reports.	Open
71	261	11/12/2024	15/01/2025	Ofgem	NEW Ofgem to confirm the process and timing for external publication of the FSO day one closure report.	Open

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Discussion and Questions

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

1. Balancing costs monthly update – Balancing Costs Team

October balancing costs: Nicolas Achury Beltran talked through drivers of October’s balancing costs.

Area/Question/Feedback	NESO Response
Ofgem wondered if the three wind farms being curtailed offshore is purely for thermal constraint reasons, or is there anything else causing them not to generate?	We confirmed curtailment is primarily due to thermal constraints and limited transfer capacity in specific regions.
Regarding negative pricing impact on wind farms, how much of the two gigawatts of CFD contracts are affected by negative pricing, and do they switch off during negative pricing?	We said some wind farms with CFD contracts disconnect during negative pricing. We also added that Viking Wind Farm is one such example.
Ofgem were curious if the voltage constraint spend in Scotland is due to little generation in Scotland, or is it managed by TOs?	We confirmed voltage management in Scotland involves two components: Operational Reactive Power Services (ORPS) and synchronization costs. In Scotland, there are no significant synchronisation costs for voltage purposes, unlike in the south of the country.
Are hot joints an issue in the control room, and how are they reported?	Hot joints are random events reported by TOs to the control room. They can be costly when they affect constraints, but there is no formal regulation on how TOs should manage their maintenance
Are hot joints a contributor to balancing costs, and should there be stronger reporting requirements? Is more regulation on hot joints needed?	Hot joints can contribute to balancing costs, but their impact varies. ACTION: NESO to confirm whether regulatory support is required for hot joints

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Are thermal and voltage constraints in England and Wales roughly the same price, but with voltage being a larger volume?

The costs and volumes depend on operational conditions and outages. Thermal constraints can be associated with planned or unplanned outages, which affect the transfer capacity and impose new constraints

Does the 72% cost contribution from Scottish boundaries reflect 72% of the actions or just the cost? Would be helpful to include a chart showing the cost contribution by volume to better understand the cost drivers and the impact of actions taken.

The 72% cost contribution reflects the cost of actions related to Scottish boundaries. The volume of actions can vary, and the cost may not always reflect the volume.

ACTION: NESO agreed to include a chart showing volumes in addition to costs in future reports.

2. Forecasting Monthly Update – John Walsh

Forecasting team provided an update on Metrics 1B (demand) and 1C (wind) forecasting for October 2024.

Area/Question/Feedback	NESO Response
Ofgem observed that the worst-performing days for wind forecasting seemed to occur when the settlement was significantly lower than the forecast. They asked if this was a recognised trend or pattern.	We said we do not believe there is a significant pattern where the worst-performing days were consistently when the settlement was lower than the forecast. Settlement data isn't always accurate at the time of reporting, but it tends to catch up eventually.
Ofgem provided feedback on the recent additions to the report. They appreciated the improved commentary in the monthly report for 1B & 1C, noting that it provided a better understanding of the wind and demand forecasting performance. Ofgem found the detailed explanations and the inclusion of the three worst-performing days particularly helpful.	We acknowledged the feedback positively, appreciating that the improved commentary was found useful.

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3. NESO to highlight notable points from the published report

Metric and RRE scores from the latest month were shared. No specific questions were asked.

Area/Question/Feedback	NESO Response
N/A	N/A

4. 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
N/A	N/A

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5. 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.

6. 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.

- **BP3 DD&T annex**

We mentioned that the BP3 DD&T annex document was shared earlier in the week and suggested a follow-up session for Ofgem to provide feedback. We noted that there were questions being sent directly to the DD&T team and emphasised the need for a coordinated approach to address these queries, proposing that all questions be directed to the Regulatory Business Planning team. Ofgem agreed to discuss internally to coordinate the feedback and potentially bring it up in the regular weekly CMF engagement.

- **DER Visibility deep dive**

We mentioned a request from Ofgem for a DER Visibility deep dive and planned a session with the team on Friday. We sought clarification on whether a general update or specific details were needed. Ofgem explained the request aimed to understand activities under Accelerated Whole Electricity Flexibility (AWEF) across roles 1, 2, and 3, focusing on achievements, delivery pace, and contributions to broader goals. We agreed to pick up internally and confirm back plan for deep dive(s).

- **FSO day one closure report**

We mentioned that the FSO Day One Closure Report was submitted a couple of weeks ago and highlighted the requirement to publish it externally as part of the incentive reporting requirements. The intention is to publish the report as an annex to the quarterly report in January, and we sought confirmation on whether there is a specific process to follow before publishing it externally. Ofgem responded that Adam will confirm the process and timing to ensure everything is in order before the external publication.

ACTION: Ofgem to confirm the process for external publication and inform us.

- **End-scheme report planning questions for Ofgem**

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We asked for early feedback on approach for some elements of the end-scheme report. Firstly the approach to benefits and CBAs. Ofgem indicated general comfort with the approach and suggested more detailed descriptive text. Ofgem emphasised the importance of showing how benefits are accessed and explaining any shortfalls. With regards to broader feedback on the report, no drastic changes were proposed, but specific feedback on the value for money section will be in the 18 month feedback coming later. Ofgem suggested ongoing discussions about reducing or removing certain report sections, with innovation highlighted as a potential area to remove.

We inquired about the mid-year feedback timeline, noting that they are working towards a Friday deadline but recognising the need for internal processes. Ofgem mentioned that their expectation is that the feedback will be provided by Wednesday at the latest, although they aim to deliver it sooner if possible. We requested an update at the end of the week to stay informed about the progress.

- **BP3 plan feedback**

We requested early feedback on the BP3 plan due to tight timescales, proposing a phased approach with initial feedback before Christmas and follow-up feedback in the new year. Ofgem noted that requests had been sent to internal teams and the panel to gather all feedback before Christmas, ensuring it would be shared in a coordinated manner to avoid overwhelming the NESO team.

- **January Meeting**

We suggested planning the next meeting for January, allowing time for everyone to return from the Christmas break and get back to work.

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Previously Closed Actions

Meeting No.	Action No.	Date raised	Target Date	Resp.	Description	Status
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.	Closed
69	251	16/10/2024	30/11/2024	NESO	NESO to send calendar invites for cost saving sessions on the agreed dates and topics.	Closed
69	253	16/10/2024	30/11/2024	NESO	Organise session with Ofgem to show analysis of 3X and 3Y, for end of October.	Closed
70	256	13/11/2024	11/12/2024	NESO	Confirm whether the drop in transfer capacity on LEI in October was due to a planned or unplanned outage.	Closed
70	257	13/11/2024	11/12/2024	NESO	Provide an update on wind herding behaviour this winter.	Closed
70	258	13/11/2024	11/12/2024	OFGEM	OFGEM to provide feedback on CBAs in the mid-scheme report, including the new approach taken, and recommendations for end-scheme.	Closed