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Incentives Monthly Monitoring Meeting

Meeting Minutes (June 2025 performance)

Date: 07/08/2025 **Location:** Teleconference **Meeting Number:** 78
Start: 14:00 **End:** 15:00

Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
Simon Targett (NESO)	Attend	Luke McCartney (Ofgem)	Attend
Mark Robinson (NESO)	Regrets	David Dixon (NESO)	Attend
Laura Woolsey (NESO)	Attend	John Walsh (NESO)	Attend
Filippos Panagiotopoulos (NESO)	Regrets	Adam Bunting (NESO)	Regrets
Aaron Young (NESO)	Attend	Nicolas Rivera (NESO)	Regrets
James West (NESO)	Attend	Joe Andrews (NESO)	Attend
Nicolas Achury Beltran (NESO)	Attend	Zong Yan (NESO)	Regrets

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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
76	275	04/06/2025	30/06/2025	NESO	NESO to arrange trilateral meeting to discuss, including the points raised. OFGEM to send questions / comments to cover in advance. Update - next trilateral meeting is scheduled, where low demand analysis will be discussed. NESO to present and review low demand analysis there.	Open
76	278	04/06/2025	30/06/2025	NESO	Split out the FRCR savings between 140-130, 130-120 etc, and share the updated FRCR methodology. Update - Methodology update is in progress, with changes to how savings are monetized during low demand periods; further updates to come.	Open
77	286	16/07/2025	08/08/2025	NESO	NESO to determine how much the Midlands outage specifically impacted voltage	Open

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					<p>spending versus the effect of low demand.</p> <p>Update – while some voltage spend was linked to specific outages (e.g., Midlands, IFA), most was due to general voltage management. Laura to share a further breakdown after the meeting.</p>	
77	287	16/07/2025	08/08/2025	NESO	<p>NESO to investigate what caused the strange activity on the 25th of May, related to forecasting and report to Ofgem.</p> <p>Update – awaiting update</p>	Open
78	288	07/08/2025	11/09/2025	NESO	<p>NEW NESO to look into sharing more analysis on Reactive Power costs with Ofgem</p>	Open
78	289	07/08/2025	11/09/2025	NESO	<p>NEW Investigate if there is an error on the network congestion graphs where they drop to zero.</p>	Open
78	290	07/08/2025	11/09/2025	NESO	<p>NEW NESO to investigate the significant peak in the "minor components" category on the cost and volume graph, and whether this was related to operating reserve actions being classified under minor components, or if it was a different issue.</p>	Open
78	291	07/08/2025	11/09/2025	NESO	<p>NEW Arrange a session to talk through the Forecast Strategy publication at a suitable point.</p>	Open

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Discussion and Questions

1. Balancing costs monthly update – Balancing Costs Team

Area/Question/Feedback	NESO Response
<p>Luke asked whether there were any key assets on outage that had a big impact on costs in the Southwest in the month, or if the high costs were purely due to low demand and high renewable penetration.</p>	<p>Nicolas explained that the cost impact in the Southwest was due to multiple factors: some equipment was out of service (e.g., Exeter with 70 MW, Wilhelm reactor with 220 MW, and other reactors), and not just low demand and high renewables.</p> <p>NESO tracks these outages monthly and the absence of certain equipment leads to reliance on more expensive balancing mechanism (BM) actions.</p> <p>Nicolas showed on screen a cost assessment of reactive equipment outages, but noted he needed to check if the information could be shared externally due to its sensitive nature.</p> <p>ACTION: NESO to look into sharing more analysis on Reactive Power costs with Ofgem</p> <p>We're working with the Market Monitoring MM team to look at certain equipment that's been out of system for long time and to check if it's still part of the regulated asset base of the TOs.</p>
<p>Luke asked if there was an error on the Network Congestion graphs where they drop to zero percent in January?</p>	<p>ACTION: Investigate if there is an error on the network congestion graphs where they drop to zero.</p>
<p>Luke asked about a significant peak in the "minor components" category on a cost and volume graph, questioning whether this was related to operating reserve actions being classified under minor components, or if it was a different issue.</p>	<p>ACTION: We will investigate and provide an answer.</p>

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Luke noted there had been previous issues with minor components categorization and wanted to ensure nothing unusual had occurred in that settlement period.

Luke asked whether the trades made on the 30th of June, which amounted to £9.2 million, were excluded from the savings calculation because they were emergency actions, or if it was because there was no alternative action available for comparison, thus no counterfactual for savings.

He wanted clarification on how these trades were treated in the savings calculation, given the high volume of trades but the lack of reportable savings.

James confirmed that these trades were not included in the savings because they were necessary emergency actions with no alternative.

Correction post meeting: These trades on 30 June were not emergency actions. The reason they were not included in the monthly savings was that there was no alternative action available for comparison.

Trading with no alternative action is not included in the savings due to there being no comparison in the BM. For a trade with no alternative action to be classed as Emergency Assistance / Emergency Instruction, this is decided by the Control Room, which was not the case here.

There was a quite big increase in response clearing prices vs last year due to wholesale prices but that seemed contradictory as prices have fallen so what caused the peak? Is it to do with volume of procurement of DC DM DR increasing?

This was covered under actions updates.

Luke fed back that he thought that the slides were really good and it was really clear to see why wind curtailment is such a big issue this month. Luke thanked NESO and said that this content is really useful to feed into the conversations taking place currently about the impact of thermal constraints and action plans for them.

NESO noted the feedback.

2. Forecasting Monthly Update – John Walsh

Area/Question/Feedback

NESO Response

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Luke asked John about the recent drop in wind forecasting performance, specifically whether processes had been put in place to catch issues like delayed file processing earlier, to prevent similar problems from recurring.

John answered that measures had been implemented, some manual, to help identify such issues sooner in the future.

Luke commented on the growing impact of price-sensitive demand (e.g., from free energy tariffs and EVs) and asked about plans to incorporate these effects into forecasting models, referencing the BP3 success measure and the upcoming forecast strategy publication.

John confirmed that new generation models, once released into production, should be able to account for these retail-driven demand changes, likely later in the calendar year. He also agreed to discuss the forecast strategy in a future session.

There's a BP3 Success Measure where NESO publish a forecast strategy in October – can we have a session to understand what that is going to show. It looks like generally all the wind errors are due to wind speed, and all the demand errors are due to solar. It would be good to see how this feeds into that strategy report.

ACTION: Arrange a session to talk through the Forecast Strategy publication at a suitable point.

3. NESO to highlight notable points from the published report

Reported Metrics from the latest month were shared. No specific questions were asked.

4. NESO to take questions on the published report

Area/Question/Feedback	NESO Response
Skip rates – Luke noted that the technology specific graph in the OTF slides now has volume attached to it which he finds really useful.	Phil confirmed this would also be included in the monthly reports from next month.

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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

The outstanding actions were discussed – see updates in table below for complete actions, and the table starting on page 3 for outstanding ones.

Previously Closed Actions

Meeting No.	Action No.	Date raised	Target Date	Resp.	Description	Status
73	269	12/02/2025	28/02/2025	NESO	<p>Check with the OBP team and provide more information on the OBP crash (21st Dec) and any fixes implemented.</p> <p>Update - OBP currently runs in one data centre (two rooms, "OBP light") and relies on legacy IT systems. Over the next few months, OBP will move to a new strategic platform, running in three clusters across two locations, improving resilience. Electronic data logging and transfer will also be moved off legacy systems. The aim is to reduce the likelihood of events like the one on 21st December.</p>	Closed
74	273	12/03/2025	31/03/2025	Ofgem	<p>Review whether there is a more effective approach to the network availability graphs and forecasts.</p> <p>Update - The OTF slides were updated to address questions regarding network availability. The new format includes a more forward-looking view,</p>	Closed

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					<i>especially towards the end of the financial year. 16-July update – Email sent by James in response.</i>	
76	280	04/06/2025	30/06/2025	NESO	Ofgem/NESO both consider discussion on upcoming improvements and the impact on market efficiency etc. Update – John shared update on upcoming developments on 7 Aug	Closed
76	281	04/06/2025	30/06/2025	NESO	Investigate reasons for azure-PEF line performing well on 29/30 th May Update – (updated post meeting) there is nothing conclusive to why NESO-Azure performed well on those two dates. Solar out turn on the preceding and following dates where similar, although OCF experienced unplanned outages on 29th and suffered accordingly. In short, the weather data may have just hit the sweet spot of the model at that time which has since gone through several upgrades	Closed
76	282	04/06/2025	30/06/2025	NESO	NESO to follow up on Ofgem's request that the skip rates reported metrics includes the other stages as well as PSA5. Update – Response shared with Luke on 13 August.	Closed
77	284	16/07/2025	08/08/2025	NESO	NEW NESO to confirm if the flat wind out turn in Scotland is due to B4 constraint limits and whether these limits fluctuate over time. Then share outcome with Ofgem.	Closed

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					<p>Update – analysis showed that the similar wind outturn in April and May was due to wind distribution and not boundary limits</p>	
					<p>NEW NESO to investigate whether the increase in response costs is due to higher utilisation or more capacity being bought, and provide a detailed breakdown.</p> <p>Update – Laura discussed that higher response prices are due to increased clearing prices, higher volumes procured, and system conditions (e.g., high renewables, low demand). She will circulate a detailed breakdown after the meeting. Laura sent detailed information to Luke by email after the meeting.</p>	
77	285	16/07/2025	08/08/2025	NESO		Closed