

# Meeting Summary

## Balancing Service Charges Task Force

## Meeting Number 5

<b>Date:</b> 26/03/2019	<b>Location:</b> National Grid, 1-3 The Strand, London
<b>Start:</b> 10:00	<b>End:</b> 16:00

### Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
Colm Murphy, Chair, National Grid ESO (CM)	Attend	John Tindal, SSE, Task Force Member (JT)	Attend
Joseph Henry, Technical Secretary, National Grid ESO (JH)	Attend	George Moran, Centrica, Task Force Member (GM)	Attend
Jon Wisdom, National Grid, ESO (JW)	Attend	Grace Smith, UK Power Reserve, Task Force Member (GS)	Attend
Joseph Underwood, Energy UK, Task Force Member (JU)	Attend	David Bird, Octopus Investments, Task Force Member (DB)	Attend
Mike Oxenham, National Grid ESO, Task Force Member	Attend	Dr Graham Pannell, RES, Task Force Member (GP)	Attend
Paul Mott, EDF, Task Force Member (PM)	Attend	Lisa Waters, Waters Wye Associates, Task Force Member (LW)	Regrets
Laurence Barrett, E.On, Task Force Member (LB)	Attend	Tom Edwards, Cornwall Insight, Task Force Member (TE)	Attend
Paul Jones, Uniper, Task Force Member (PJ)	Attend	Caroline Bragg, ADE, Task Force Member (CB)	Attend
Tim Aldridge, Of gem, Task Force Member (TA)	Attend	Nicholas Gall, Solar Trade Association, Task Force Member (NG)	Attend
James Kerr, Citizens Advice, Task Force Member (JK)	Attend	Rob Hudson, Tata Chemicals Europe, Task Force Member (RH)	Attend
Nigel Bessant, SSEN DNO, Task Force Member (NB)	Attend	Paul Wakeley, National Grid ESO, Presenter (PW)	Attend

## Discussions

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1. **Introductions and Apologies for Absence**
    - 1.1 Colm Murphy opened the meeting and welcomed the attendees to the fifth meeting of the Balancing Service Charges Task Force. All Taskforce attendees were thanked for their inputs to the fourth meeting. Lisa Waters sent apologies prior to the meeting. No Alternate attended the meeting.
    - 1.2 Colm focussed the Task Force on the objective of the meeting, which was to continue to develop the locational transmission constraints potential option as a task force. The importance of recording the work and thought processes behind each option was also reiterated to the Task Force by the Chair.
    - 1.3 Colm continued by discussing the programme plan and key milestones for delivery moving forward. 8 April 2019 (TF meeting 6) was confirmed to be held at Energy UK. Joseph Underwood was thanked for this help with this.
    - 1.4 Colm advised that the “What Good Looks Like” approach would be taken during the meeting to develop the work into the locational transmission constraints option previously discussed by the Task Force. This approach would then be applied to the 3 other identified options, and the Task Force split into 3 groups to examine the options under Deliverable 3 (i.e. Locational Reactive and Voltage Constraints, Response and Reserve Bands, and Response and Reserve Utilisation).
  2. **Minutes, Actions and Engagements**
    - 2.1 The Minutes from Task Force meeting 4 were approved by the Task Force members. These are available here. Colm briefly reviewed the actions, many of which are open and ongoing throughout the Task Force. Actions that needed to be completed prior to the meeting were done so, for instance Actions 14-19.
    - 2.2 Task Force members were advised that the SharePoint site is close to completion and that they should have received email communication to that effect, advising that the Task Force members would now have access.
    - 2.3 In terms of engagement, various touchpoints with industry were highlighted to be coming up. The Operations Forum took place simultaneously for this meeting, whilst the ESO are due to meet with EUIG on 27 March 2019. The Task Force were advised that the next TCMF would take place on 10 April 2019. It was agreed that Grace Smith would attend to update TCMF on the progress of the Task Force.  
**Action: GS to attend next TCMF. Action: Secretariat to arrange attendance.**
  3. **Modelling Update – Paul Wakeley**
    - 3.1 Paul Wakeley presented to the workgroup in relation to the ongoing modelling within the Task Force. The slides for this presentation can be found [here](#). In regards to Data, Paul advised that his team are continuing to update the dataset with more recent, and more granular information in order to refine the ‘evidence’ about the current signal in the final report of the Task Force. In particular, Paul highlighted that the data now included up to 3 March 2019, now includes new fields relating to Scottish wind, and were continuing to mine the pre-existing data in order to obtain increased granularity.
    - 3.2 Within this initial section of the presentation, Paul concentrated the groups attention to correlation strengths between certain BSUoS parameters in terms of forecasting, namely Comparing forecast and actual wind, Wind vs Constraint Cost, Interconnector Flows, Summary Statistics and (Average) Costs of Time. Paul’s analysis shown various degrees of correlation, ranging from  $R^2 = 0.85$  for BMU Forecast vs Actual Wind nationally (showing a relatively strong correlation, which dropped to 0.63 when Scotland was viewed in isolation), compared to  $R^2$  being approximately 0.17 for Wind vs Constraint Costs in Scotland. It was also noted that there was little or no correlation as far as interconnector flows are concerned.
    - 3.3 Task Force members made comments on the results presented by Paul. Whilst some noted the positive correlation in scenarios such as forecast and actual wind and wind vs constraint costs, the other scenarios are difficult to forecast and exhibited little correlation. Some Task Force members urged caution on the use of language when discussing the correlation in some of the scenarios presented e.g. correlation does
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not equate to causation. It was also noted that in terms of summary statistics, cost data was highly skewed.

3.4 Paul then progressed to discuss the modelling. In terms of treating constraints locally, Paul explained that two zone model had been developed to try and illustrate impacts of charging constraints locally. It was explained to the Task Force that the Model is indicative of the GB market, with data drawn (and smoothed) from an indicative actual data.

3.5 Six different scenarios within this model were presented to the Task Force, with differing effects on the tariff and how it would apply to specific parties (generation and demand in each zone). It was shown that under the status quo, the tariff would be applicable to both generation and demand on either side of a constraint equally, but this would change based on the scenario in question, based on who the constraint cost would be targeted at on either side of a constraint. The Task Force were then taken through a comparison of the costs under each scenario. It was also highlighted that in the GB energy market, there would be added complexity to any of the scenarios illustrated, as naturally the GB energy market is comprised of multiple Balancing Mechanism Units. It was noted by certain Task Force members that this analysis had been helpful, and lead to debate in regards to the economic implications of charging on certain or both sides of a constraint, whether certain scenarios would lead to efficient investment decisions. **ACTION: PW to Circulate Slides to Task Force**

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#### 4.0 Locational Transmission Constraints Discussion and WAGLL

4.1 The Task Force turned their attention to Deliverable 3, and exploring the potential options for exploration by the Task Force in making elements of BSUoS more Cost Reflective and Forward Looking. As previously identified by the Task Force locational transmission constraints were explored first by the Task Force, in order to develop a “What does Good Look Like” precedent for the exploration of the other three potential options identified by the Task Force. The Task Force members looked to assess the feasibility of this option against limitations, against the previously discussed evaluation criteria, and attempted to find ways to overcome any limitations.

4.2 Various elements of this potential option were explored by the workgroup against the evaluation criteria previously discussed by the Task Force. There was much discussion also on whether locational transmission constraints could be charged ex-post or ex-ante. There were various points made in support of and against both options during this discussion.

4.3 Predictability was also discussed, with it being noted that costs would need to be forecastable by parties in industry, regardless of whether this would be done ex-ante or ex-post. The ability to be able to respond to any potential signals was taken into account also, including either side of a constraint, with the signals being equal and opposite highlighted as an important factor. Another factor also discussed was which industry participants were best placed to pay charges and manage risks associated with constraints.

4.4 Consideration was also given by the Task Force in regards to the potential of double counting between the BSUoS and TNUoS charging methodologies, and whether dealing with locational transmission constraints in one or the other would lead to a total reduction for the end consumer in terms of Use of System charging (Tim Aldridge highlighted that consideration of whether such costs could be placed within TNUoS rather than BSUoS was part of Deliverable 3). This led to discussion on double counting and over signalling. It was suggested that the ESO would come back with more information around this, delivering an update on this during the next Task Force, with a view to addressing this in the final report.  
**Action: ESO to speak to PW in regards to constraints and locational signals being double counted in TNUoS and provide an update at the next task force**  
**Action: ESO to speak to PW in regards to feasibility of using Plexos data**  
**Action: MO to circulate Frontier Slides**  
**Action: MO to summarise locational transmission constraints discussion against evaluation criteria and circulate to task force**

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#### 5 Next Steps

5.1 Colm advised the Task Force that the group would be split into 3 sub-groups to look at Locational Reactive and Voltage Constraints, Response and Reserve Bands, and Response and Reserve Utilisation in a similar

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in fashion to how Locational Transmission Constraints were examined. James Kerr, Nicholas Gall and John Tindal volunteered to be lead contacts for each sub-group. The Task Force were asked if they had a preference to deal with a certain option to let the secretariat know, so they could be allocated.

5.2 The definition of “Signal” was also discussed further. Feedback was given in regards to this by the Task Force. Grace Smith volunteered to take this away and formulate definitions for “Short Term” and “Long Term” signal. **ACTION: GS to Formulate definitions for “Short Term and Long Term”.**

5.3 Mike Oxenham advised that he would distribute a note in regards to structure for the groups for the aforementioned assessment of criteria within Deliverable 3 to the workgroup by the end of the week. The Task Force were thanked for their input.

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