

## Addendum to ESORI Guidance 2021-23

Annex 1 of the ESO Reporting and Incentives (ESORI) Arrangements Guidance document<sup>1</sup> sets out the details of the performance metrics for 2021-23. Table 1 below sets out the updated annual performance benchmarks for performance metrics 1A, 1B and 1C for the incentive year 2022-23. The files used to calculate benchmark values have also been made available alongside this addendum.

For the avoidance of doubt, the ESO's outturn performance against the performance metrics (and the ESO's reasons for this outturn performance) over the complete two-year period will be considered for the final incentive decision.

**Table 1: Performance benchmarks set for 2022-23**

| <b>Role 1</b>                  |   |                            |
|--------------------------------|---|----------------------------|
| <b>1A. Balancing costs</b>     |   |                            |
| Equation used to set benchmark | <p>The equation - described in the ESORI Arrangements Guidance document under the Balancing costs method, point 1 (iii) - for calculating the balancing costs benchmark has been finalised. The equation is constructed by finding the straight line best fit equation of the plot of monthly outturn wind against monthly constraint costs, and then adding a constant term found as the intercept of the straight line best fit equation of the plot of monthly constraint costs against monthly total balancing costs (with the former term representing the wind-adjusted constraint costs latter term representing balancing energy costs).</p> $\text{Total Balancing Costs (£m)} = (\text{Outturn Wind (TWh)} \times 25.255 \text{ (£m/TWh)}) - 15.975 \text{ (£m)} + 50.402 \text{ (£m)}$ |                            |
|                                | Exceeds   | 10% lower than 1691.8 (£m) |

<sup>1</sup> Further details of the performance metrics can be found in Annex 1 of our ESORI Guidance Document:  
[https://www.ofgem.gov.uk/system/files/docs/2021/03/electricity\\_system\\_operator\\_reporting\\_and\\_incentives\\_esori\\_guidance\\_2021-23.pdf](https://www.ofgem.gov.uk/system/files/docs/2021/03/electricity_system_operator_reporting_and_incentives_esori_guidance_2021-23.pdf)

|                                       |  |                                       |
|---------------------------------------|--|---------------------------------------|
| Performance benchmarks                | Meets  | Within $\pm 10\%$ of 1691.8 (£m)      |
|                                       | Below  | 10% higher than 1691.8 (£m)           |
| Monthly indicative performance values | Balancing cost performance is reported by the ESO on a monthly basis. Although performance is assessed against the <u>annual</u> benchmark, it is useful to have indicative markers at monthly granularity as a guide. For balancing costs, indicative monthly performance values for 2022-23 are set out below. Note that these are ex-ante values based on average wind conditions but will be updated ex-post to account for actual outturn wind. |                                       |
|                                       | Month  | Ex-ante Monthly Indicative Value (£m) |
|                                       | April  | 115.4                                 |
|                                       | May  | 107.0                                 |
|                                       | June   | 108.5                                 |
|                                       | July   | 99.6                                  |
|                                       | August   | 119.8                                 |
|                                       | September  | 125.7                                 |
|                                       | October  | 164.2                                 |
|                                       | November   | 151.5                                 |
|                                       | December   | 169.3                                 |
|                                       | January  | 174.1                                 |
|                                       | February   | 200.6                                 |
|                                       | March  | 156.2                                 |

### 1B. Demand forecasting

|                        |         |  |
|------------------------|---------|--|
| Performance benchmarks | Exceeds | <p>Year 1: &lt; 2.0% (5% lower than 95% of average value for previous 5 years).</p> <p>Year 2: As for Year 1, but with 5-year period (and therefore benchmark value) refreshed.</p>  |
|                        | Meets   | <p>Year 1: between 2.0% and 2.2%</p> <p>Year 2: As for Year 1, but with 5-year period (and therefore benchmark values) refreshed.</p>  |
|                        | Below   | <p>Year 1: &gt; 2.2% (5% higher than 95% of average value for previous 5 years).</p> <p>Year 2: As for Year 1, but with 5-year period (and therefore benchmark value) refreshed.</p> |

|  |   |  |
|--|---|--|
| Monthly indicative performance values  | Demand forecasting performance is reported by the ESO on a monthly basis. Although performance is assessed against the <u>annual</u> benchmark, it is useful to have indicative markers at monthly granularity as a guide. For demand forecasting, indicative monthly performance values for 2022-23 are set out below: |  |
|  | Month   | Monthly Indicative Values (%)  |
|  | April   | 2.6  |
|  | May   | 2.5  |
|  | June  | 2.1  |
|  | July  | 2.0  |
|  | August  | 2.1  |
|  | September   | 2.0  |
|  | October   | 2.1  |
|  | November  | 1.9  |
|  | December  | 2.1  |
|  | January   | 2.2  |
|  | February  | 2.2  |
|  | March   | 2.7  |
| <b>1C. Wind generation forecasting</b> |   |  |
| Performance benchmarks                 | Exceeds   | Year 1: < 4.6% (5% lower than 95% of average value for previous 5 years).<br>Year 2: As for Year 1, but with 5-year period (and therefore benchmark value) refreshed.  |
|  | Meets   | Year 1: between 4.6% and 5.0%<br>Year 2: As for Year 1, but with 5-year period (and therefore benchmark values) refreshed.   |
|  | Below   | Year 1: > 5.0% (5% higher than 95% of average value for previous 5 years).<br>Year 2: As for Year 1, but with 5-year period (and therefore benchmark value) refreshed. |
| Monthly indicative performance values  | Wind generation forecasting performance is reported by the ESO on a monthly basis. Although performance is assessed against the <u>annual</u> benchmark, it is useful to have indicative markers at monthly granularity as  |  |

a guide. For wind generation forecasting, indicative monthly performance values for 2022-23 are set out below:

| Month     | Monthly Indicative Values (%) |
|-----------|-------------------------------|
| April     | 4.8                           |
| May       | 4.3                           |
| June      | 5.2                           |
| July      | 4.0                           |
| August    | 4.1                           |
| September | 4.3                           |
| October   | 5.4                           |
| November  | 5.0                           |
| December  | 5.0                           |
| January   | 5.2                           |
| February  | 5.4                           |
| March     | 5.0                           |