

Monthly Monitoring Meeting

Friday 27th July 2018

Ofgem Offices, Conference Suite 10SC

AGENDA

Ref'	~Time	Title	Owner	Resolution required?
1	N/A	Actions from previous meeting	<i>Technical Secretary</i>	
2	60 min	Comments from the Authority for previous reporting month <ul style="list-style-type: none"> • Report Structure • Principles 1-7 • Metrics 1-5,9,14,15 • Data • Hotspots 	<i>Senior Economist</i>	
3	60 min	Monthly Reporting Performance Measure Overview & response to Comments from Authority <ul style="list-style-type: none"> • Report Structure • Principles 1-7 • Metrics 1-5,9,14,15 • Data • Hotspots 	<i>ESO Regulation Team</i>	
4	15 min	Update on progress against Plan		
5	15 min	Agree actions for next month	<i>Technical Secretary</i>	
6	5 min	Summarise Authority's comments on reporting month's evidence/ performance & next steps	<i>Senior Economist</i>	
7	5 min	ESO Proposed items for discussion: <ul style="list-style-type: none"> • Update on EBS • Performance panel Update • Potential licence change around incentive reconciliation • Access to huddle 	<i>All</i>	

Meeting record

Monthly Monitoring Meeting

Meeting number 3

Date: 27th July

Present: Ofgem:

- LR
- GT
- DF
- DB
- KN
- MK

National Grid:

- CR
- CC
- HK
- HL
- SM

Time: 10-12

Venue/format:

Ofgem Offices, Conference
Suite 10SC

ACTIONS

Meeting No.	Action No.	Date Raised	Target Date	Resp.	Description	Status
1.	1.	30/5/18	15/6/18	HK	Agenda to be updated to reflect new item for discussion	Closed
1.	2.	30/5/18	15/6/18	JD	Formal write up of the feedback received to the first month report	Closed
1.	3.	30/5/18	15/6/18	SB	Providing any further thoughts on how the summaries per principle could be written to provide clear evidence	Closed
1.	4.	30/5/18	15/6/18	SB	Dates to be shared for monthly meetings, and tentative dates for half year and end of year panel dates	Closed
1.	5.	30/5/18	15/6/18	SB	Lines to take/ Summary of process for panel events	Closed
2.	6.	28/6/18	27/7/18	HK	ESO look at wording in the charging circular email and more clearly explain the basis of the incentive forecast	Closed

2.	7.	28/6/18	27/7/18	CC	Detailed articulation of BSUoS billing metric and how it relates to CUSC	Closed
2.	8.	28/6/18	27/7/18	GT	Share guidance on how the roles and principles under 18-21 incentives can be used and shaped as part of the	Open
2.	9.	27/7/18		HK	Ofgem asked for an understanding of what data would be included within the informational portal.	Open
3.	10.	27/7/18		HK	The ESO promised to provide the work in progress versions of principles 4, 5 & 6 and organise a meeting between the ESO and Ofgem to discuss	Open
3.	11.	27/7/18		DB/DF	Ofgem to confirm contacts for the ESO to engage with regarding the data task force	Open
3.	12.	27/7/18		HL	Organise a meeting with the metric 4 owners to provide further explanation on the detail metric.	Open
3.	13.	27/7/18		HK	The ESO to provide responses to the following questions about the auction trial: what had stakeholders said about the delay? Have we tested the reasons explained within the report with stakeholders? Were any alternatives considered (e.g. more resources)? What alternative actions might the ESO take in the interim to help support outcomes expected from the auction trial?	Open
3.	14.	27/7/18		JD	Provide an update on any further stakeholder feedback received on the Roadmaps and asked what actions are the ESO taking to improve the stakeholder survey scores mentioned within the report.	Open
3.	15.	27/7/18		HL	Provide more detail behind the re-prioritisation of codes mentioned in the Q1 report and organise a meeting to discuss this further.	Open
3.	16.	27/7/18		HL	Clarification on the statement around the C27 licence mentioned within the report .	Open
3.	17.	27/7/18		JD	Where possible, publish the responses of received to the Forward Plan Consultation on the NG website	Open

MAIN ITEMS OF INTEREST

Actions from Previous meeting:

- Ofgem confirmed that action 5 had been closed with the publishing of their working paper on the Performance Panel on Thursday 26th July
- It was agreed that action 8 would remain open until the next meeting. It was acknowledged that discussions had taken place between Ofgem and the ESO around the use of the roles and principles across 18-21 Incentives and RII02. It was noted that this action has now moved to Grendon Thompson.

Overarching messages:

Ofgem articulated their overarching comments on the quarter 1 report as follows:

- Ofgem were pleased to see the positive changes made to the report, providing a more balanced narrative and lessons learnt, helping to show that the ESO is keen to listen, be more transparent and adapt to the feedback that is being received. Ofgem noted that this approach may help to make a more persuasive case for performance panel.
- Ofgem noted that specifically that the Executive Summary of the report provided a more balanced narrative for the ESO's performance during the quarter. They reflected that whilst the Executive Summary was more balanced, that this could have been more reflected throughout the body of the report. In particular, Ofgem believed that there remained examples where the ESO was including descriptions of actions in the exceeding expectations category that weren't clearly exceeding baseline expectations. Ofgem suggested focussing these sections on clear and tangible examples of initiatives that delivered clear additional benefits during that period.
- In order to achieve further balance, Ofgem noted that there some areas that they would like to see the ESO acknowledge and respond more to questions that are being raised by stakeholders, specifically on EBS, IS, code administrator role performance and general system operation transparency (eg C16 statements, use of non-BM actions). Ofgem felt the ESO needed to respond to the concerns raised in these areas before it could confidently conclude it was meeting baseline expectations across all of the principles.
- Ofgem noted that they don't think the report always reflected what they were hearing from stakeholders, noting that there could be multiple reasons for this, including stakeholders going directly to Ofgem and not the ESO, or issues being raised with the ESO not feeding through to the ESO's own Regulation team. Ofgem asked how the ESO is capturing Stakeholder Feedback received across different teams in the organisation. The ESO explained that the two ESO documents published alongside the quarterly report will allow the ESO to undertake a more systematic approach of collating stakeholder views. The ESO said that the next report will see the benefits of this more integrated approach to collating stakeholder views will be documented by principle to provide a stronger view of evidence. The ESO shared that they are trying to be empirical in their approach by creating a database of information and provide Ofgem with a window into what the ESO has been told, noting that the published methodology is the first step in this. Ofgem shared their sympathy with engagement fatigue but also noted the importance of receiving a clear picture of stakeholder views as part of the new framework. The ESO shared that they will introduce only one new stakeholder discussion route by asking stakeholders how they believed the ESO have performed against the principle at the overarching level noting that for all deliverables, the ESO will continue to use existing tools and channels.
- Ofgem provided further guidance around the definition of meeting baseline vs exceeding baseline, noting that undertaking a new activity doesn't always equate to exceeding baseline, noting that it can be a progression of the baseline activities. In particular, Ofgem noted that in some areas of the report, activities were described as automatically exceeding because they are transforming the way the ESO operates. However, in Ofgem's view, there are some areas where the ESO needs to transform in order to meet baseline expectations.

The ESO continue to acknowledge the importance of the formal opinion feedback in helping to understand Ofgem's view of baseline vs exceeding.

- The ESO shared they are currently going through a reorganisational design and will relaunch principle 4,5 & 6 in August and principles 1 and 2 will in September taking into account the Formal Opinion feedback to provide a clearer articulation of baseline and what is exceeding. The ESO promised to provide the work in progress versions of principles 4, 5 & 6. At key points of change in the scheme, the ESO and Ofgem discussed the potential of bringing the ESO senior leaders into the discussions and potentially providing bespoke sessions to provide update. The ESO and Ofgem agreed that they would organise a session prior to the relaunch of principles 4, 5 & 6.
- Ofgem and the ESO discussed that there were always going to be lessons learned from this first year that can be fed into the development of the next Forward Plan; in particular, in relation to having time to take a more 'top down' approach with metrics being built to complement the ESO's key aims and deliverables.

Ofgem noted that there has been clear improvements on the reports as we've progressed through the scheme.

Principle 1

- Ofgem said that it was good to see the majority of deliverables have been undertaken in q1; noting that MBSS updates had been achieved ahead of promised. Ofgem mentioned they would still like to see detailed information in the report on how the ESO is achieving better information provision, transparency and engagement.
- Ofgem noted the comment within the report that some deliverables has been reprioritised. They shared that it would be helpful to include within the report which deliverables had been reprioritised and the rationale behind this.
- Ofgem were felt that the Carbon Intensity work that has been undertaken in Q1 sounded like a positive initiative; they asked for the ESO to provide a further narrative around the wider benefits that this workscope had achieved, why this work was prioritised over other potential projects relevant to the principle and the role of the partners within this. The ESO shared that this would be reflected in the relaunched principle 1 delivery schedule with the description and benefits of deliverables updated.
- Ofgem asked for more information around the information portal. The ESO shared that this is the first step towards a full self-serve information portal noting that the ESO customer team led the first stages of this to help shape the portal. Ofgem felt that this sounded like it could a welcome initiative and asked for an understanding of what data would be included within this portal. The ESO shared that the ambition will be reflected in the relaunched principle 1 with the ESO recognising that this a long-term goal with the first steps taken this year. Ofgem also noted that there is a data task force coming out from BEIS and Ofgem and suggested it would be good for the ESO to link into this.
- Ofgem reminded of their challenge on the ambition of metric 4 as mentioned in the June meeting. They felt this challenge was backed up by the ESO outperforming these metrics from month 1 with limited supporting examples of new innovation that had helped deliver this. It was noted by the ESO that the consistent hot weather in the UK over the previous months has impacted onto this metric. The ESO promised to share more context around this metric and to organise a meeting with the metric owners to provide further explanation on the detail metric. The ESO noted that with the relaunch of the delivery schedule, a re-description and update of the metrics will be reflected to better describe how we can measure our performance against the overarching vision.
- Ofgem also noted its Formal Opinion feedback about the metrics associated with this principle. Ofgem mentioned that they see the publication of trade information as an example

of the ESO doing something that is new, but which could be reasonably expected as part of baseline expectations. This is because as the ESO takes more actions outside of the BM, it is important that these are transparent to the market to ensure overall balancing efficiency.

Principle 2:

- Ofgem stated that it was good to see consumer benefit delivered through the vector shifts workscope and positive to see the ESO acknowledge lessons learnt and the impact on future planning
- Ofgem shared that they didn't think the narrative provided about the ESO innovation workscope should have been mentioned as exceeding. Visibility at events is expected activity, exceeding expectations would involve step change behaviour/innovation that follows.
- Ofgem said that they would have liked to see more detail on the IS change programme and how the ESO is responding to stakeholders on IT more generally. The ESO noted that the first IS change forum was in July and an update on this would be provided in the next report.
- Ofgem asked for an update on the EBS. Ofgem reiterated messages that, in light of the delays to the programme, the ESO needed to demonstrate to stakeholders what it was doing in this area in the meantime to deliver the same expected outcomes for the market.
- It was acknowledged that a meeting is being organised between the ESO and Ofgem for the w/c 30th July to discuss Non-BM STOR and cash out as mentioned at the previous meeting. Ofgem noted that increased visibility of Non-BM actions was something to consider in this area.
- Ofgem asked for an update on the procurement guidelines review, noting that engagement with industry on this topic would need to commence soon. The ESO confirmed that an updated would be provided in the reporting and as part of the relaunch of this principle in September.

Principle 3:

- Ofgem shared that they thought the structure was very clear and the performance updated provided a more balanced view with the lessons learnt section well received by the team.
- Ofgem stated that they were broadly positive with the progress made under this principle but reiterated that the ESO could do more to pull out the associated benefits, acknowledging the example of the FFR products structure as a clear example of providing evidence of the benefits of the ESO actions. However, Ofgem had some questions about the delay of the auction trial given this is viewed as a key deliverable under this principle.
- Ofgem noted that the Auction Trial is important to stakeholders. They acknowledged the stakeholder engagement and specification engagement already undertaken by the ESO, as well as the explanation provided in the report. Ofgem asked the following questions of the ESO: what had stakeholders said about the delay (were stakeholders happy to delay the auction trial in order to get improved functionality?). Were alternatives to delaying the auction trial considered What actions will the ESO take in the interim to help support outcomes expected from the auction trial? The ESO committed to providing an updated in the next meeting.
- Ofgem stated that it was good to see examples of stakeholder feedback as provided about the roadmaps. Ofgem asked for the ESO to provide an update on any further stakeholder feedback received and asked what actions are the ESO taking to improve the stakeholder survey scores mentioned within the report.
- Ofgem stated that it was good to have update on metric 7, noting that it is looking positive and look forward to seeing progress during the year.

- Ofgem shared that they thought the descriptions supporting Metric 8 provided some clear examples of how actions taken by the ESO could be influencing competition in balancing markets but asked how much of the overall trends seen and benefits achieved are directly attributed to the actions taken by the ESO.

Principle 4:

- Ofgem stated that the formal opinion feedback still stands for this principle; asking the ESO to consider the bigger picture for this principle. The ESO confirmed they will relaunch the principle in August to take on-board this feedback and articulate a wider vision for the principle. Ofgem look forward to seeing the relaunched principle.
- Ofgem used the example of the CFF to expand on their point. They noted that whilst they had heard positive feedback about the ESO's administration of the CFF forum, much more than this is expected under the principle. In particular, they would like the ESO to step up and own the content.
- Ofgem noted that they are hearing concerns from stakeholders about the ESO's performance as code administrator.
- Ofgem noted that the code prioritisation exercise was mentioned in the report, and that they are supportive of a more strategic approach to codes given the volume of change in the market. But they also felt that the wider background surrounding this exercise and the ESO's responses to stakeholder concerns raised in this area should have been covered. Ofgem asked the ESO to provide more detail behind the re-prioritisation mentioned and their response to concerns raised in relation to modification GC109 in particular; the ESO promised to organise a meeting to discuss this further.
- Ofgem shared that they welcomed the customer strategy engagement workscope on codes but that this shouldn't be included as an example of exceeding expectations, noting that more need to be done here address stakeholder questions around baseline performance before the ESO could consider itself to be exceeding. The ESO promised to provide greater clarity on performance for the previous months against the meeting and exceeding baseline.
- Ofgem noted that the EU codes activity mentioned within the lessons learnt box is a legal requirement and should be considered as baseline.
- Ofgem reiterated that the Formal Opinion feedback for Metric 9 still stands. Ofgem acknowledged it's more of a challenge timescale for 2/3 year but that the metric only looks at one code and not specifically tied into long term vision. The ESO confirmed this will be revisited as part of the relaunch.
- Ofgem shared that they look forward to hearing about code improvement plan under Metric 10. Noting the Change my Code activity sounds like a welcome initiative to address stakeholder concerns around baseline performance and are interested to see how this grows over the year.
- Ofgem acknowledged the stakeholder feedback received around Metric 11 but challenged the ESO to go further to link this feedback back to the objectives of the Charging Futures Forum to help demonstrate ESO performance.

Principle 5:

- Ofgem noted that it was good to see the lessons learnt and more balanced discussion for this principle than previous reports and stated they look forward to the relaunch. Ofgem welcomed the acknowledgement from the ESO that it needed to ensure its stakeholders were fully involved and given an earlier heads up of the ESO's work in this area.
- Ofgem challenged the ESO to pull out more on what new work the ESO is doing this year within the Regional Development Programmes and how this approach is creating new benefits. In particular, for metric 13, Ofgem were keen to understand whether the additional

MW delivered were the results of work already carried out in previous years, or whether the ESO had stepped up its activity in this space.

- Ofgem stated that building strong relationships with DNOs is considered to be baseline and that they would like to see more of the outcomes from this collaboration. They noted that this collaboration should then increase the potential for the ESO to develop clear deliverables which deliver additional benefits for consumers which may be considered as exceeding. The ESO promised to playback this challenge within the relaunch.
- The ESO promised to organise sessions with the senior leaders following the relaunch of this principle
- Ofgem noted that the metric ambition box for Metric 12 was helpful but asked the ESO to clarify the baseline as the baseline target number of options had seemingly reduced from 3 towards 0. Ofgem also noted that the ESO had an obligation to work with DNOs on the NOA, so it should avoid implying that anything new in this area was automatically exceeding expectations. Nevertheless, it was noted that there is large potential here for delivering additional benefits for consumers, and that the ESO needs to be clear on how they intend to exceed expectations in this area.

Principle 6:

- Ofgem noted its overarching comments and previous feedback on this principle and stated that they look forward to its relaunch..
- Ofgem noted they were pleased to see an increase in ambition for metric 14 but also asked the ESO to provide an explanation on what has been done differently to improve performance from previous years.
- No comments on metric 15

Principle 7:

- Ofgem wanted to clarify that part of the baseline in this principle is ensuring all relevant parties (including non-TO parties) are engaged on NOA and to exceed expectations would depend on the approach to doing this and outcomes that more effective engagement delivers.
- Ofgem asked for clarification on the statement around the C27 licence mentioned within the report in relation to metric 17.

Consumer Value:

- The ESO provide a high level view of the consumer value thought piece: The ESO will look at consumer value from the two perspectives as described in the incentives performance evaluation framework, current within year benefit delivered, and future value to be realised due to actions taking within this year. For current benefit, the ESO will strive to look at actual benefit delivered, a good example of this being the recent vector shift work were the ESO can demonstrate net savings for the consumer due to action taken to avoid spend on commercial solutions. Regarding Future benefit, the ESO will look at how industry and academia thinks the ideal future system state looks like, what the value to consumers is from industry working together to achieve that state, and what the ESO's contribution is to that. The ESO will also utilise any existing accepted CBA approaches, noting the Ofgem feedback that for the purposes of the incentive scheme we should be detailing value due to activity which exceeds expectations, not value derived from our baseline obligations.
- Ofgem stated that the evaluation criteria has no explicit weighing per criterion to recognise the flexibility that will be needed across the principles. However, each criterion would be considered as part of the holistic assessment of performance per principle.

- Ofgem stated that they are interested in the benefits associated with going over and above baseline expectations to describe the additional value created by the ESO. They noted that not all the deliverables in the Forward Plan go above baseline expectations, so the quantification shouldn't be looking for a general value of the plan as a whole.
- Ofgem shared their understanding of the challenges that the ESO will have in some areas in trying to quantify the impact of the ESO activities throughout the industry. Ofgem stated that they look forward to seeing the ESO present tangible examples of delivered benefits where this is possible e.g. vector shift, but also noted that the outcomes do not always have to be quantified where this is very hard to do; qualitative benefits can be just as valuable if they are articulated clearly (i.e. there is a clear demonstration of the action taken by the ESO, the logic behind these actions and the impact and additional benefits this had above baseline)

Stakeholder document:

- Ofgem shared that they thought overall the documents were clear and helpful to allow stakeholders to understand how to engage.
- Ofgem were only able to provide comments on Principle 3 and 4 at this time and agreed to comeback with comments on the other principles. They noted that the majority of questions for principles 3 and 4 demonstrated good link to the overall objective of the principle.
- Ofgem asked the ESO to provide stakeholders with a clear definition of 'fairness' as per the question asked in Principle 3 noting that the term fairness is a subjective. Ofgem shared that they have provided guidance on the definition of fairness previously and this could be helpful for stakeholders to help them better answer the question.
- Ofgem challenge the question under Principle 4 regarding the CFF, stating that 'asking a friend' could be better described to help the ESO to collate stakeholder feedback against the overarching objectives of the principle.

AOB:

- The ESO asked for more access accounts onto Huddle, Ofgem asked for the ESO to share a list of names and they would organise accounts accordingly.
- The ESO shared that a paper has been drafted on licence changes related to incentive recovery to be shared with Ofgem for discussion.
- Ofgem provided an update on the ESO Performance Panel working paper and welcomed any comments or questions.
- Ofgem asked for the Forward Plan Consultation Responses to be shared on the website. The ESO shared that as the licence condition for this is not active for FY19, they would have to confirm with the respondents that their responses could be shared on the website, the ESO committed to do this.

Appendix 1 – Timetable

1. Annual Requirements

- Monthly
 - 15th working day of M+1 keeps cost basis historic
 - Meeting 20th working day of M+1
- Quarterly
 - 15th working day of M+1 following Q end (Jul, Oct, Jan)
- Half Year Report
 - 15th working day in October (M+1 after half year completed)
- Year End- Ofgem's Proposal
 - 7th May -consultation & draft licence (5 wks after year end)

2018	2018	2018	2018	2018	2018	2018	2018	2018	2019	2019	2019	2019	2019
Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
	M	M	M	M	M	M	M	M	M	M	M	M	
			Q						Q				
						1/2YR							FYR

2. Monthly requirements

Date	Action	Owner	Note
15 th Working Day	Monthly report submission date	ESO	
No later than 5 Working Days before meeting	Provide the Chair with meeting papers	ESO	
20 th Working Day	Monthly Monitoring Meeting	Technical Secretary	
25 th Working Day	Minutes from meeting submitted	ESO	
End of Month	Chair to approve minutes from meeting	Chair	
2 nd Working Day after approval of the minutes	Publication of meeting minutes	Technical Secretary	

3. 2018-2019 Reporting & Meeting Dates

Month	Report Published	Ofgem Meeting	Report Type
	(15 th WD)	(20 th WD)	
May	22/05/2018	30/05/2018	
June	21/06/2018	28/06/2018	
July	20/07/2018	27/07/2018	Q1 Report
August	21/08/2018	29/08/2018	
September	21/09/2018	28/09/2018	
October	19/10/2018	26/10/2018	Half Year Report
November	21/11/2018	28/11/2018	
December	21/12/2018	02/01/2019	

January	22/01/2019	29/01/2019	Q3 Report
February	21/02/2019	28/02/2019	
March	21/03/2019	28/03/2019	
April	23/04/2019	30/04/2019	
May	7/5/2019		End of Year Report