Excerpts from the stakeholder performance report – ESO

**Executive Summary from Nicola Shaw, Executive Director**

The UK is rapidly transforming to a low carbon energy system and National Grid isat the heart of this transformation. 2017/18 has seen several ‘firsts’, with three consecutive working days without coal fired generation and record levels of renewable generation connected to the system. This changing energy landscape creates new network and system operation challenges. We are managing these through understanding the changing needs of our stakeholders, and a strong focus on innovation. Against this backdrop, I am pleased to report that in 2017/18 our Electricity Transmission business has continued to perform strongly for customers whilst facilitating the transition to a low carbon energy future. We have delivered high levels of reliability, driven efficiencies to further reduce our costs, improved both customer and stakeholder satisfaction, and reduced the impact of our operations on the environment. Whilst we have done this we have continued to innovate and invest for the benefit of both existing and future consumers.

* **Customer Satisfaction** – We are proud that our improvements in customer service have been reflected in customer satisfaction ratings which have increased from 7.4 to 7.7. This improvement reflects the focus and hard work across our whole business to improve the way we engage with our customers and deliver what they ask for, when they ask for it. Our stakeholder satisfaction survey score has also increased from 7.66 to 7.88, further reinforcing an improving trend. However, we recognise there is still much more to do as our goal is to exceed the expectations of our customers and stakeholders.

Looking forwards, we will continue to engage with stakeholders on a range of issues important to all of us. This includes what the future energy mix could be through our Future Energy Scenarios; developing the future role of the SO in a changing world; and how transmission and distribution networks need to evolve with the expanding role of active demand and changing generation sources.

We are nearing completion of the process to legally separate the Electricity System Operator (ESO) from National Grid Electricity Transmission. We have made good progress throughout 2017/18 and are on track to deliver this as planned by April 2019. This will deliver the flexibility and focus needed to meet the challenges ahead and supports Government and Ofgem ambitions.

**Who we are and what we do**

We are also the System Operator of Great Britain's entire electricity transmission system, including the Scottish and offshore networks.

**Our Performance Scorecard**

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| **Output requirement** | | | **RIIO target** | | | **RIIO Performance** | |
| **System Operator Incentives** | | | | | | | |
| **Forecast the amount of wind generation produced**  £3m annual cap and collar incentive based on our accuracy in forecasting of renewable generation output.  Performance in 2017 / 18 was slightly below the target resulting in a penalty of £0.25m. | | | From 2015/16 the target accuracy is to be within  +/-3.5% in summer and  +/- 4.25 in winter | |  | | |
| **Balance the supply and demand on the transmission system**  The System Operator has products and services that it can procure in order to balance the electricity network. We spent £153m less than the target balancing the system. The NGET share of this was £15.3m (10%) but under the terms of the scheme it is capped at £10m. The remaining £143m goes to customers, further reducing bill impact | | | Agreed target (blue bar), sharing factor and caps and collars which vary from year to year. | |  | | |
| **Customers and Stakeholders** | | | | | | | |
| **Measure the way that we have satisfied our customers and stakeholders**  We commission independent surveys with our customers and stakeholders which gives an annual score of their overall satisfaction with the way that we engage with them and the service we deliver.  This year we have seen a noticeable increase in the scores compared to both last year’s score and the longer-term average score. This reflects the increased focus that we have applied in this area. | | | Customer survey target 6.9  Stakeholder survey target 7.4 | |  | | |

**Innovation – finding a better way**

The pace of change in the energy industry shows no sign of letting up and we recognise that we have a crucial role to play in making sure the UK has a sustainable energy future. Innovation is at the forefront of that challenge.

As part of RIIO, Ofgem introduced two new funding mechanisms for network innovation; the Network Innovation Allowance (NIA) and the Network Innovation Competition (NIC). Both mechanisms enable us to take forward ground-breaking new ideas and technologies that have the potential to make a tangible difference to customers and communities.

The energy landscape across Great Britain continues to change, particularly with the growth of renewable and small scale generation. Our portfolio of projects seeks to address these changes and to anticipate the challenges that lie ahead. The Power Potential project, is an example of how we’re seeking to harness distributed energy sources such as wind turbines and solar panels in a new way.

Together with UK Power Networks (UKPN) we’re using £9.5m of innovation funding to explore whether sources of generation connected to the distribution network can be used to provide services such as dynamic voltage control. By 2050, the project could result in cumulative savings for consumers of up to £412m.

**Financial Performance**

Our SO controllable costs have increased in 2017/18 from £112m to £119.4m against allowances of £119m, with the biggest driver for this £7m increase in costs being the additional work undertaken to achieve legal separation between the SO and the TO.

