

# ERSG 3

Pre-read material  
23<sup>rd</sup> January 2019

# ESO RIIO-2 Stakeholder engagement across the piece

## Pre-read

30<sup>th</sup> January 2019

ERSG3.5.1



# Purpose of item

This item is intended to give an overview of the ESO's approach to stakeholder engagement to date, how we intend to develop it in light of Ofgem's Sector Specific Methodology consultation and give ERSG the opportunity to provide their views on it now.

ERSG is invited to:

- Note:
  - The stakeholder engagement approach to date, including how the engagement we have carried out has been incorporated into our proposals
  - How we intend to enhance it going forward
- Advise of your expectations for stakeholder engagement and whether we are meeting them
  - If not, where could improvements be made?

# Key messages on stakeholder engagement



**1** Ofgem has set out a number of requirements for the ESO to meet in engaging stakeholders to develop our RIIO-2 business plan



**2** The ESO has established a process to ensure stakeholders have a key role in shaping the ESO plans over the RIIO-2 period, in order to drive benefit for customers and consumers



**3** We have facilitated a range of face to face and written engagement as well as webinars and a podcast

**4** Which has helped us understand our stakeholders' priorities, and shaped our policy development



We plan to develop our approach further in light of the more specific steers in Ofgem's sector specific methodology consultation

# Ofgem have set out clear requirements for stakeholder engagement

## Set-up an independently chaired stakeholder group

ESO to ensure the group is:

- properly resourced and has access to relevant information
- has its own website page with ToR, minutes and membership

Group to provide Ofgem with an independent written report following scrutiny of the business plan

## Stakeholders should be consulted in developing business plans

ESO to set out:

- process, including access to information,
  - resource and
  - timescale
- to allow informed comment/challenge to be included in business plan

Also, how proposals have changed as a result of engagement

## Design and run a programme of robust & high quality engagement

ESO to:

- gather stakeholder views on content and level of ambition
- provide opportunity for stakeholders to propose activities, deliverables and performance metrics
- ensure priorities align with industry expectation

5 Source: RIIO-2 Enhanced Stakeholder Engagement Guidance – Version 1, April 2018

Source: RIIO-2 Business Plan content and incentive workshop, November 2018

Source: Sector Specific Methodology Consultation, nationalgrid ESO December 2018

# We aim for stakeholder engagement to be at the heart of our business plan development





## **Our stakeholder engagement objective:**

We will work with our customers and stakeholders to help shape the future of the energy market and understand how best the ESO can deliver value for our customers and consumers.

## **Our approach:**

Enhanced stakeholder engagement will help us develop business plans that reflect stakeholders' needs, and will deliver consumer value

# To reflect the evolving role of stakeholder engagement through the RII0 process we have split our approach into three phases

2017				2018				2019				2020				2021			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Listen</b> Establishing stakeholder priorities to shape our future engagement plans				<b>Co-create</b> Building elements of our plans with stakeholders - getting into detail - workshops				<b>Propose</b> Sharing our plans with stakeholders to make sure we check we're meeting their needs				<b>Ofgem scrutiny and licence development</b> Detailed scrutiny of our business plans and stakeholder group reports by the regulator, with open hearings where appropriate				<b>Start of RII0-2</b> New price control 1 April 2021			
								(This cell is part of the 'Propose' phase block)											
<b>Stakeholder groups</b> (Independently Chaired)																			
<b>Ofgem challenge group</b>																			

# During the development phase we established consumer and stakeholder priorities to guide our RIIO-2 engagement and business planning activity

## Consumer priorities



We want an affordable energy bill



We want a decarbonised energy system, fit for the future



We want energy to be available when we need it



We want a safe and secure energy system

## Stakeholder priorities



I want transparent and forecastable charges



I want to provide more balancing and ancillary services



I want efficient whole energy system operation



I want to connect to the electricity network in a timely manner



I want you to enable the smart, flexible and low-carbon energy system of the future



I want you to facilitate active markets for a wide range of products and services



I want you to protect the system from cyber and external threats



I want you to be open, engaging and easy to work with




I want you to be adaptable and innovative



I want access to comprehensive, accurate and user-friendly information

We developed these through a mixture of existing and targeted engagement events, including:

- RIIO-specific engagement:
  - Independent research study including stakeholders and MPs
  - Regular direct conversations
  - An independent research study of 2000 members of the public
  - An online stakeholder webinar with 104 attendees from 69 organisations
  - ESO RIIO-2 Stakeholder Group
- Existing events:
  - Future Energy Scenarios conference and workshops
  - Charging Futures forums
  - Customer surveys
  - ESO Forward Plan engagement

Priorities were tested and refined through a survey and webinar and discussion with ERSG 



# In the co-create phase we are building on the consumer and stakeholder priorities to develop our detailed business plan proposals

We are working with stakeholders to shape our ambition, roles and activities through a number of routes:

## Face to face communication, including:

- Bilateral meetings
- Workshops
- Webinars

## To date we have held:

- 66 bilaterals
- 3 Workshops
- 5 Webinars

## Which has resulted in engagement with:

- 261 individuals from
- 151 organisations

## ESO RIIO-2 Stakeholder Group

## To date we have held:

- 2 meetings
- 1 workshop
- 1 control room visit

## This has involved:

- 19 of our key stakeholders

## Written communications, including:

- Bi-Monthly bulletins
- Website
- Thought pieces
- Podcasts

## To date we have published:

- 4 bulletins
- 2 stakeholder reports
- Launched an enhanced website
- 1 thought piece
- 1 podcast

## These have reached:

- Average of 900 individuals through our bulletins
- 5 responses to the thought piece
- 188 plays of the podcast

# Examples:



Stakeholder Reports



### Executive Summary

Earlier this year we published a paper on 'Facilitating Whole Electricity System Outcomes'. This paper described how taking a whole system view of the transforming electricity landscape would result in efficient outcomes for the end consumer and detailed how the ESO role was changing to meet the challenges of the changing electricity landscape.

We promised to provide further context on these views, informed by stakeholder feedback to the Future Worlds consultative activity in interest to developers.

Our view is outlined in 3 for the and other paper.

We believe

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In this case developer. What is this feedback.



## Exploring how the ESO could be funded in RIIO-2

15<sup>th</sup> October 2016



Thought Pieces



## Podcasts

### ESO RIIO-2 Webinar

1<sup>st</sup> November



Angelita Bradney  
Head of ESO RIIO-2  
[Angelita.Bradney@nationalgrid.com](mailto:Angelita.Bradney@nationalgrid.com)

## Bi-Monthly Webinars and Bulletins



### ESO RIIO-2 Bulletin

Welcome to the fourth edition of our ESO RIIO-2 bulletin and the last of 2016!

In this, our fourth ESO RIIO-2 bulletin, we take a look back at all the engagement we have done in 2016 and how many of you have got involved with our various activities. We would also like to say a big thank you for all of contributions, feedback and general commitment to helping us develop our thinking further in regards to the ESO's RIIO-2 activities.

It has been such a busy year for all of us as we prepare for RIIO-2 as well as our 'business as usual' activities. Some of the key milestones we have achieved in the ESO RIIO-2 team include: the setting up of our ESO RIIO-2 Stakeholder Group (ESRG), holding four stakeholder workshops, hosting five webinars and the publication of two stakeholder reports that detailed how your feedback has shaped our plans. Alongside this we have been having regular bi-laterals with many of you across the industry to understand where and how you see the ESO operating in the future.

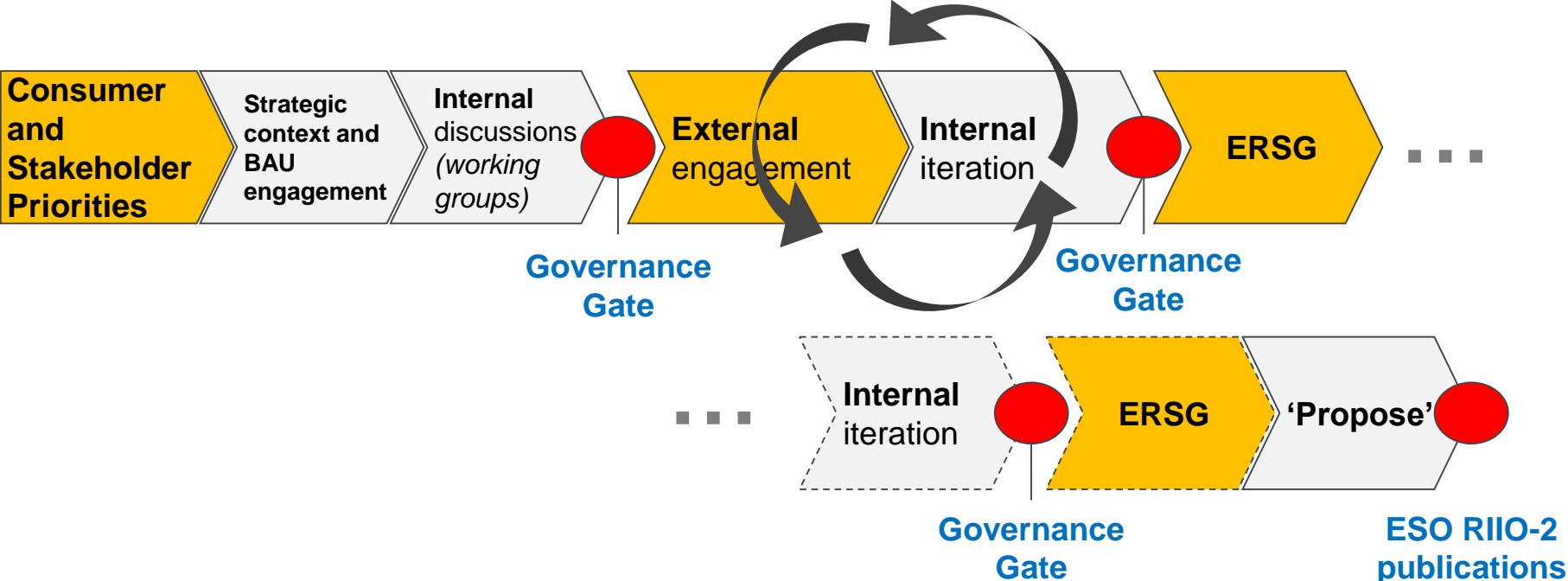
Even though the end of the year is near and we are starting to think about mince pies and turkey, gathering your feedback doesn't stop and we are busy preparing for our next stakeholder workshop on 17 December to discuss: Whole Electricity System, Network Development and long term system operability, System Access Planning and Operate the system. Register below to attend, we have limited spaces remaining.

We know you are busy and so want to provide updates in interesting, useful and accessible ways. If you have any feedback or comments on our bulletin please get in touch at [box.ESO.RIIO2@nationalgrid.com](mailto:box.ESO.RIIO2@nationalgrid.com)

We look forward to working with you more in the New Year!

Thank you,

# Stakeholder views are a key input to our business plan content development process



# Our bilateral meetings take two forms – overarching conversations on RIIO-2 and topic specific engagement

Themes coming from our overarching engagement include:

## The role and funding of the ESO

Support for a more ambitious ESO

Stakeholders see value in a better service and a bolder ESO and may be willing to pay for it

The funding framework should allow the ESO to respond flexibly

The ESO should be strongly incentivised to deliver for consumers where it has gone above baseline delivery

The ESO should be transparent and provide data to help facilitate the market

# How we have engaged and used feedback – Example 1: Regulatory framework

Engagement process	What we are doing with feedback
<ul style="list-style-type: none"><li>• Initial work developed with stakeholder input submitted to ERSG in July</li><li>• Workshop with 43 organisations</li><li>• Webinar with 39 organisations</li><li>• 17 bilateral meetings</li><li>• Published thought piece and podcast</li><li>• Five responses to the Thought Piece and continue with our bilateral conversations</li></ul>	<ul style="list-style-type: none"><li>• We moved from six principles on what a successful framework could look like to eight, adding<ul style="list-style-type: none"><li>• ‘prevents windfall gains and losses that are not justified by underlying performance’</li><li>• ‘is sufficiently simple and transparent for the ESO, Ofgem and industry stakeholders to understand.’</li></ul></li><li>• Refined initial five potential funding models down to two to explore in further detail, including strong elements of other models not being taken forward</li><li>• We have not progressed the stakeholder suggestion for an additional principle around delivering carbon and cost reductions as we consider this is covered in principles 1 and 4.</li><li>• Now have a more detailed view of a layered funding model that splits up the ESO activities and a view of how incentives could be incorporated to form a complete package</li><li>• Responses to the thought piece were supportive of the ESO position and have enabled us to continue developing our thinking. We will also take the messages into account as we develop our response to Ofgem’s consultation.</li></ul>

# How we have engaged and used feedback - Example 2: Baselineing our plan

Engagement process	What we are doing with feedback
<ul style="list-style-type: none"><li>• Initial approach developed with stakeholder input submitted to ERSG in July</li><li>• Engaged stakeholders with more developed option at the Future Energy Scenarios (FES) workshops in October</li><li>• Ofgem's challenge group in October asked for network companies to work together to consider how a Single View could be used consistently across business plans</li><li>• Workshop with 43 organisations</li><li>• Webinar with 39 organisations</li><li>• 17 bilateral meetings</li></ul>	<ul style="list-style-type: none"><li>• As a result of feedback we moved from a scenario framework using the technical elements of FES to a framework of stakeholder endorsed key drivers based on FES, including non-technical elements such as digitalisation</li><li>• We developed a process for evaluating ESO activities against the scenario framework. This was tested and refined with stakeholders, including breaking the key drivers down into sub-elements and including additional thoughts on trigger points for uncertainty such as trends in underlying data e.g. car manufacturers' plans for EV uptake</li><li>• A full process is now planned to be deployed, including the above scenario insight and full costs and consumer benefit for each activity, creating a holistic and transparent approach to Cost Benefit Analysis (CBA) that will be considered alongside stakeholder feedback</li></ul>

# How we have engaged and used feedback – Example 3: Whole Electricity System

Engagement process	What we are doing with feedback
<ul style="list-style-type: none"><li>• Through the ‘Facilitating Whole Electricity System Outcomes’ paper we provided our high level thoughts on the need for a whole system approach to the changing energy landscape and six key areas of focus</li><li>• To reduce the stakeholder burden we reviewed the 47 responses to the ENA Open Networks Future Worlds consultation</li><li>• We used feedback from industry events including Future Worlds seminars and webinars and customer seminars</li><li>• ESO 2030 Ambition workshop with over 60 participants</li><li>• RIIO-2 webinars</li><li>• Bilateral meetings to refine the topics</li><li>• We also carried out further targeted stakeholder engagement at a workshop in December (22 individuals and organisations)</li></ul>	<ul style="list-style-type: none"><li>• We used the Future Worlds consultation responses and other feedback to inform the specific topics of relevance to the ESO in facilitating whole system outcomes</li><li>• Responding to feedback seeking greater clarity on our whole system strategy, we published a further thought piece in December providing our more developed thoughts on our role within those topics and what we can do to help move to more of a whole system approach. We are currently seeking comments on the thought piece.</li><li>• The next step is to develop fully costed options for the ESO which include the role we see in whole electricity system, and we will talk to stakeholders and the ERSG about this before submitting it.</li></ul>

# Ofgem's sector specific methodology consultation set out some clear steers generally and for the ESO on engagement

## 1. The ESO should:

- a. continue and build on our efforts to gain stakeholder views to help shape our priorities and areas for performance improvement
- b. provide the opportunity for stakeholders to propose activities, deliverables and performance metrics set at stretching levels
- c. Build stakeholder consensus around activities, deliverables and performance metrics (Ofgem has since verbally clarified they mean be inclusive rather than build consensus)
- d. Consider how we will engage with stakeholders during the RIIO-2 period and whether there is an ongoing role for the ERSG.

## 2. The consultation also highlights the importance of our engagement with ERSG and the challenge group, with how effective we are being taken into account in determining the overall incentive penalty and reward to be applied each year.

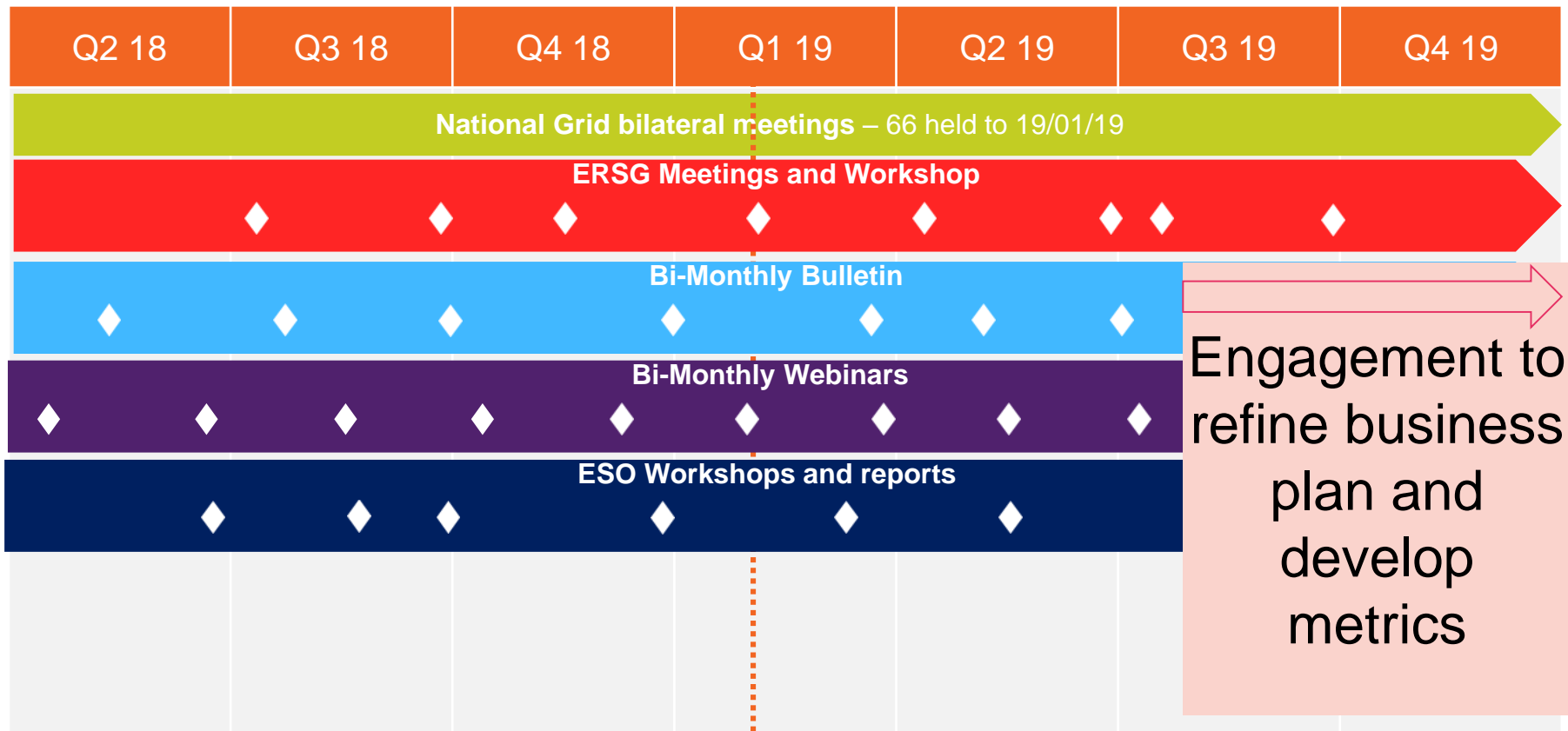


# In light of the steers in Ofgem's sector specific methodology consultation we're reviewing how we can further enhance our stakeholder engagement

The outputs of the following activities will be incorporated into the remainder of the co-create phase and in the propose phase:

- Ensuring that we have really solid processes to ensure stakeholder is fully at the heart of our business plan development and that we can evidence what we have done and how we've responded to feedback
- Investigating how we can go further than we currently are now
  - Through learning from leaders in this area
  - Considering whether there is value in an external review of our approach to seek an independent view
  - Learning from Ofgem's performance panel feedback
- Reviewing how we are currently incorporating consumer feedback and whether this is sufficient going forward
- Understanding what is meant by the ESO building consensus around plans and what we need to do to meet that requirement

# Our engagement will continue whilst we develop our business plan and beyond



# Questions for ERSG

- Are our activities meeting your expectations for stakeholder engagement?
- If not, where could improvements be made?

