

Electricity System Operator RIIIO-2 Stakeholder Group (ERSG)

Meeting 9 – 27th February 2020

Amba Hotel, Charing Cross

Minutes

Attendees

ERSG members

Elizabeth Allkins	Ovo
Angelita Bradney	ESO- Company Rep
Sophie Hind	Technical Secretary
Joanna Hubbard	Electron
Alan Kelly	Scottish power Transmission
Andy Manning	Centrica
Kayte O’Neill	ESO – Company rep
Eddie Proffitt	Major Energy Users Council
Simon Roberts	Centre for Sustainable Energy
Nina Skorupska	Renewable Energy Association
Fintan Slye	ESO – Company rep
Jamie Stewart	Citizens Advice Scotland
Nigel Turvey	Western Power Distribution
Chris Veal	Transmission Investment
Matthew Wright	Orsted

ESO Support

Louise Clark	ESO- Presenter
Alice Etheridge	ESO- Presenter
Sophie Corbett	ESO-Observer
Emily Leadbetter	ESO-Presenter
Gavin Lohead	ESO-Presenter

3. Revised terms of reference - Alice Etheridge

Revised Terms of Reference for the ERSG were circulated at the beginning of year, and the presenter thanked the group for their inputs. It was outlined that there would be a change of remit for the group when we get to July. Until this point, and following the submission of the ERSG report, the group have a formal role in open hearings. From July the TOR represent more of an evolution in the role of the group than we were initially thinking.

The ESO have greatly appreciated the group's input so far as "critical friends" and feel that this has added great value to the final Business Plan.

One member pointed out that the name of the Renewable Energy Association needs to be updated to REA in the document

The group appreciated that the TOR now stipulates a clear cut off point for when the group shift their focus from the Business Plan to Business as Usual (BAU), albeit with some overlap.

The TOR was looked at it some more detail. Regarding the item that suggests the ERSG should "challenge and support the ESO in having a financeable Business Plan", some members were unsure as to whether this would be appropriate as it is different to the ongoing discussions around the funding model, although they agreed that it would most likely be an ongoing area of discussion.

Others in the group agreed that the ERSG have avoided commenting on the financeability of the Business Plan as it is quite a technical subject. Time has been spent discussing what incentives might be required in order for the ESO to succeed, but there aren't any accountants in the group.

The ESO agreed that they shouldn't be asking this group to assure or test the finaceability of the plan and suggested that more appropriate wording on this point might be "challenge and support the ESO on the need for having a financeable Business Plan". This was agreed by the group.

ESO to update wording in TOR to "challenge and support the ESO on the need for having a financeable Business Plan"

The group felt that they could add value on what risks could and should be financed and highlighted that they want the ESO to continue to bring back issues that they are having in this area because the group can still challenge them. They won't take a view on financeability but they can still think about what incentives may be needed. The question of whether the ESO are being incentivised for the good of the system is still a very valid point to discuss.

Forward look on agenda to July.

The presenter explained that meetings would be light touch up to the open hearings and another look at what needs to be will be outlined following that. This will generally be based around the concept of stakeholder critical friend and deliverability, as well as an update on funding model at the meeting after the Open Hearings.

4. Update on Reg framework decisions Louise Clark

The presenter talked through some slides which highlighted key developments in discussions with Ofgem on the funding model. The ESO expect that Ofgem will firm up their position on undecided elements of the model in the next few months. Ofgem have employed CEPA to do some modelling around the ESO risks and what may need to be financed. They have shared the first part of this work with the ESO who have given some feedback. The main feedback to be given to CEPA is that they need to look more broadly at the risks faced by the ESO.

Ofgem have now agreed that remuneration for risks should not be zero, and that there is a need to cover additional risks which aren't covered by the RAV-WACC model. This is positive news for the ESO, but on the other hand Ofgem have confirmed that they intend to reduce the cost of equity from 0.6. This could negate some of the benefits of additional remuneration. The next step for the ESO is to look at these as a whole.

One member explained that they were supportive of the need for the ESO for additional remuneration to cover the risks that the company are exposed to. However, they were not able to make the link between this discussion and the drive of the company to be ambitious. The ESO explained that they would become risk averse without this additional remuneration in order to mitigate these risks. As a point of principle, the company need to feel that they are being funded to do something well. The role of the incentive scheme is important, but in a world where incentives are ex post evaluative, and last year only £860 K was awarded out of a possible £30 million, there is a risk that the incentive scheme alone will not drive strong performance.

Some of the group agreed that the ESO should not be distracted by the risk of having a massive penalty, and the company are currently worried about this along with the disallowance risk in the model.

The group discussed that the incentive scheme should be set up in a way that allows the company to continue to be ambitious regardless of other aspects of the model.

It is an issue that the incentives scheme does not have clear KPIs, which means that the ESO are not able to have any control over the outcome. The current proposals do not allow the company to balance their focus on mitigating risk and being ambitious. Instead it encourages focus on risk.

The group asked if they are able to see some of the work that has been done on quantifying the risks. **The ESO agreed to share this once they have finished the work (in the next week or so).**

ERSG asked if they would be able to engage directly with CEPA. The group have spent considerable time discussing the risks faced by the ESO in the future, so it may be useful to engage with them or see what they are working on to ensure that risks are being accounted for. It was agreed that ERSG would first review the ESOs work and if there appear to be some risk elements missing then it can be added to.

ESO will enquire with Ofgem and CEPA on whether this work could be shared with the ERSG.

The ESO confirmed that, at the moment, the work completed by CEPA covers only cash flow and TNUoS risk. There may be plans to extend this work to cover other risks, but it would be useful for the ERSG to encourage them to look at broader risks.

The group returned to the point previously made about separating financeability from ambition. The group noted that they had spent the most time considering the ambition of the company. The debate should be focussed on the return and ambition should be a separate discussion.

The company re-affirmed that if the best they can hope for is getting money spent back or less than this, then it will encourage risk aversion.

The ESO do not believe that there is any potential for movement on the ex-post aspect of the model. Ofgem do not support mechanistic elements or locking performance in with metrics.

The group asked the company whether they feel that Ofgem have appropriately defined what the right behaviours and outcome looks like from the ESO. What would the ESO need to do in order to be successful? What behaviours do the company need to exhibit? In the TO world there was a framework describing what good and poor behaviour looked like. The issue appears to be less about

what the incentives are but more about whether they are believable and achievable. The ERSG considered that they could help to communicate this issue to Ofgem.

The ESO confirmed that they do not believe good and bad performance is clearly defined. The company agreed that it would be very helpful for the ERSG to share their views on this with Ofgem.

Although it would be very difficult to define what this framework should look like, the group agreed that it is important and achievable.

Something that the ESO have asked from Ofgem is what is the baseline. The Business Plan put forward by the ESO is really ambitious and delivery of this shouldn't be zero, it should represent success and therefore reward. The company are very concerned that delivering all of these proposals would result in no reward.

The group agreed that an "average" outcome needs to be defined, as well as a "stretch" outcome. Which deliverables fall into each category? There is also a controllability point which needs to be considered. For instance, if the ESO have an incentive around reducing balancing costs and have done good work towards this, but then its windy in the North and a circuit is out for a month which causes balancing costs to dramatically increase, this outcome would be out of the ESO's control. There is potential for the earnings to be wiped out and this in turn could affect willingness to be ambitious.

An ERSG member raised that Ofgem have previously discussed co metrics as an option and asked if there have been any further developments on this. The ESO confirmed that this hasn't been mentioned again but that more detailed discussions will be starting imminently.

The group discussed that Ofgem should be sharing a set of scoring criteria which describe what excellent behaviour looks like, as has previously been done for the TO business.

The ESO agreed that clear scoring would be useful, and that a layer of subjectivity over the top of this scoring could still remain.

The chair summarised what the group had heard so far. There is a lot of perceived risk in the incentive scheme mechanism and Ofgem need to define a more robust evaluation scheme within it. There is also a need to calibrate the deliverables within the Business Plan in order to define what would represent "BAU" delivery, and what would be "stretch" that would see the ESO going over and above expectation. It is extremely important for this to be defined.

The ESO expect Ofgem to set out their decisions in this area as part of the July determinations.

The group discussed how they could raise their feedback with Ofgem. The ESO have been encouraged to produce a really ambitious Business Plan and it was not felt that it would be appropriate for the ESO to have to outperform these ambitions in order to earn any revenue. It was agreed that the chair would send a note which summarises ERSG position on this topic to Ofgem.

Chair to send a note summarising ERSG position on Funding model to Ofgem

The group would also potentially like to invite Ofgem to the next meeting to explain their thinking and decisions further. If there is still a lack of clarity on incentives vs ambitions and how the ESO can achieve a good result then this could be explained.

ESO to consider inviting Ofgem to May ERSG meeting, to present a developed set of proposals to the group

The Ofgem policy team are proposing that cost efficiency is included as part of incentive scheme. The ESO believe that this could lead to a double penalty if combined with cost disallowance for the same reason.

The company were asked if they were able to gain confidence in the incentives scheme, whether this would address other concerns such as the double penalty risk. The ESO explained that if they could get alignment on the baseline then they would have more confidence in their own ability to assess how they are performing. This is something that was lacking in the outcome of last year's incentive performance review. Given the contrast in where the ESO expected the result to be versus the actual outcome, this would cause them to approach it extremely cautiously.

One member of the group made the point that Ofgem have championed the pass through of costs as taking away risk for the company. However, layering the incentives scheme on costs on top of this undermines this principle. Whilst the ESO need to be incentivised on costs somehow, they could look at what the ESO has delivered first, then adjust their score according to how efficiently it has been delivered. The more efficiently an output can be delivered, the better the company would score. The ESO pointed out that, even in this case, there would still be a double penalty against efficiency if costs were being disallowed.

ERSG questioned whether cost disallowance was more for things that the company shouldn't have been spending on at all rather than inefficiency. Ofgem have confirmed that disallowance will be for "demonstrably inefficient" spending. But the ESO do not have a definition for what this means exactly. From looking at similar case studies they have found that there is often a disallowance of some sort for spending.

Costs can't be completely ignored, but if the ESO carry a substantial disallowance risk then it will impact their risk appetite. Therefore, dialling down an incentive on this point might be sensible. Looking at the standard disallowance risk around the world it is often downside only and it feels like the ESO would struggle to be financeable with this.

It is important to take a step back and remember that this plan is all about being ambitious and taking risks. ERSG concurred that the more important thing from a system perspective is the net benefit that can be generated.

A member of the group drew attention to Jonathan Brearley from Ofgem's 9 point plan (<https://www.ofgem.gov.uk/publications-and-updates/rewiring-britain-net-zero-future-ofgem-publishes-decarbonisation-action-plan>) and questioned whether the way that Ofgem are approaching the funding model is really in line with this. A good way for the ESO to approach this in future meetings with Ofgem may be to ask Ofgem whether this 9 point plan has changed the way that they are thinking about the regulatory framework.

6. Open Hearings - Alice Etheridge

The presenter went through some slides which summarised the information that the ESO had been given on the Open Hearings. There will be three topics which the ESO are questioned on and one of these will include finance. {fill in some detail from slides}

There will be an Ofgem panel which is chaired by Martin Cave. The ERSG and Challenge group reps will sit at the front/ close to the panel and will have a formal role in these sessions.

The ESO have looked at the feedback in the Business Plan reports to take a view on what the topics for questioning might be. The ESO asked for the group's feedback on these topics. The company also explained that Ofgem's guidance says that it is the ESO's responsibility to ensure ERSG attendance, so it would be good to understand who is planning on attending.

The group raised that they were very surprised that Ofgem hadn't responded to the ERSG report as they had done with other groups and that they would like to feed this back to them. It was discussed that the group is vested in the document to a greater degree given the role. It could be suspected that the group are "captured" but it wasn't felt that this was the case at all. It is very easy to find fault in such an uncertain environment. It may not be helpful to "point the finger" at the ESO where there is so much uncertainty. There is also an ongoing debate as to whether Business Plans are being marked comparatively. It would be different if the plan being assessed was not the first one, and the company was within a stable industry this kind of assessment would be more appropriate. Ofgem are asking more of the ESO in defining a leadership role in net zero, but Ofgem need to do some of this work. It is one of the biggest areas of uncertainty for stakeholders and the industry.

The ESO updated the group that Ofgem have committed to arrange a meeting between the various groups ahead of going into the Open Hearings, and perhaps the ERSG can raise some of these concerns at this meeting.

The chair asked the group if there were any topics missing from the slides. One member pointed out that the IT Shared Services model should be expanded out to the Shared services model in general, with a focus on IT. The group then asked the ESO if there were any updates on their thoughts on the SS model. The Business Plan assumes that the current SS model will be in place because that's what was agreed with Ofgem. Ofgem have asked further questions on this and what other models could look like. The bar for convincing them that it is the right model is extremely high and Ofgem would like to see some movement on this model from the ESO. The ESO are working to split the model into its component parts to see what it would look like if they sat directly in the ESO through a cost lens, a transition risk lens etc. The ESO hope to go into the open hearings with some alignment with Ofgem on this issue. The timelines for this are ambitious, but we want to avoid the situation where the Open Hearings are dominated by this topic. The feedback received on this issue was the most common thread between ERSG, Challenge Group and Ofgem, and so the ESO don't want to go into the Open Hearings in disagreement with these parties. They are open to any model that will deliver better and are working to understand what the options are. The SS model delivers benefits right across the rest of the NG group so this needs to be taken into account when looking at the options.

The chair asked the ESO in what capacity members of the ERSG were required to be at the Open Hearings. Are they there to ask or answer questions? Where would they sit in relation to the panel and the ESO? The ESO confirmed that ERSG will most likely be there to ask questions via Ofgem. In latter sessions the group will have the opportunity to ask questions on behalf of the ERSG or on behalf of individuals' companies.

The group discussed that questions can be asked in different ways. For example, they could be "softball" questions which require the ESO to explain how the plan has evolved or they could be harder questions which just emphasise the points that have been made in the group reports.

It was agreed that, for the Open Hearings to be useful it needs to be more of a discussion. ERSG should offer their perspective on how the company have done. It doesn't necessarily have to be a

question, they should be able to offer their perspective. The ERSG would like the chair to make a statement summarising the groups' perspective on the report.

ERSG/ ESO to discuss a statement being made at the Open Hearings with Charlotte

The group expressed some concern that the discussions at the open hearings may be held in higher stead that the 18-month process that has been worked through of scrutinising and judging the plan.

One member asked if the ESO could publish something ahead of the ERSG on the IT delivery methodology which could help to head off some of the questions to be expected at the Open Hearings, where stakeholders are asked for their input ahead of the hearings. This could also help the cost disallowance discussions. This information could be made transparent at the end of each sprint.

The ESO agreed that this would be a good idea. **ESO to publish something on the IT delivery methodology ahead of the Open hearings**

Given Charlotte's absence at this meeting, it was agreed that it would need to be checked with her what is expected with the group at the Open Hearing

The group added that they would expect net zero to come up during the hearings, and so it would be worth both the ESO and ERSG giving some thought to this. It was agreed that who would attend would be considered further during the closed session.

7. RIIO-2 delivery readiness - Gavin Lochhead

The presenter talked through the work and planning currently being done by the ESO to prepare for delivering during the RIIO-2 period. The group were asked to consider the information and comment on whether there is anything further than the ESO need to consider in preparation for RIIO-2, and whether there are any areas that they would like further information on at future ERSG meetings.

Plans to start recruitment for roles from April 2021 were explained. The group asked for clarification on whether this was for roles directly within the ESO or for roles that were part of National Grid Group (via the Shared Services model). It was explained that these roles were directly part of the ESO. The company will be working on this in partnership with Shared Services, but these requirements haven't been looked at yet. The group expressed that they need to know about the capability of the delivery partner.

The ESO pointed out that, of the £700m proposed spend in the plan, £400m of that is ESO specific. The delivery teams are not remote from the ESO, they work directly in this part of the company every day.

There was further confusion on which roles the slides were referring to for recruitment, as it seemed as though the ESO plan to recruit all necessary roles within two months. It was clarified that the slide referred only to the roles that are required first and foremost.

One ERSG member pointed out that in some cases the ESO will need to ensure that they recruit senior members first, so that they are able to build their own teams. The ESO Business plan currently assumes that the Shared Services model stands, so there wouldn't necessarily be a lot of senior recruitment. This could change if the company were to move away from this model. Moving away

from this model will mean that people need to move into the ESO and will also require recruitment of new senior people. The company acknowledged that they would need to move quickly in this instance given the timelines involved.

Another member said that they had read the paper on this subject as though the ESO are "getting ready to get ready" in April 21, rather than to hit the ground running. It was questioned whether this activity needed to happen sooner to allow the ESO to hit the ground running in terms of change and culture. The ESO are currently investigating whether they can bring forward some of the proposed spend for RIIO-2 in order to do this. They have received positive feedback on this so far. Ofgem were pleased to see that the company were thinking of hitting the ground running in April next year as critical to the success of the Business Plan. Working backwards from the commitments made in the Business Plan, some systems and workforce etc need to be in place early on. The challenge is agreeing costs to get that done. General feeling from ERSG is that the more that can be done sooner toward this, the better. They offered to convey this message to Ofgem.

The group commented that it was good to see RIIO-2 come together with BAU change within these slides RIIO-2 is nested within the broader change programme. The ESO confirmed that they are seeing it as an overall transformation programme rather than the Forward Plan commitments and then RIIO-2 separately. A dedicated team is currently looking at what is needed to set the ESO up as a data company, and what changes are needed structurally and capability wise. This is not a specific RIIO-2 deliverable, but is one of the foundations required for delivery during RIIO-2.

The ESO were asked whether there is a risk that this work needs engagement with network companies. For example for other transmission companies who have business plans too, is there a risk that further investment will be required from them as a result of proposed work by the company. The presenter agreed that there is a need for collaboration and that this is currently being worked on. The ESO explained that they have been engaging with these parties all the way through the business plan development. The Design Authority will be examining the IT platform aspects (for example, handshakes between systems that may be required to change) in more detail and will allow stakeholders to discuss these as a group.

The company were asked how they will factor in the differing timescales associated with DNOs developing their plans and investments. General uncertainty is making it difficult to understand how roles in the industry will change. DNO Business Plans are still being developed so there is an element of flexibility.

It was also raised that these companies will all be looking for the same expertise when recruiting to fulfil Business Plans and will all need power systems and data engineering expertise. In the process of capability modelling the company needs to be thinking about what capability stimulation is required to kick off early so that when there are graduates coming through you are able to attract them. This issue is an important one and it is likely that costs will increase due to demand. The demand will not only be in this country, but throughout the world who are trying to solve renewables problems will be looking for the same thing. The ESO confirmed that this has been identified as a risk.

A general comment was made that the information presented on RIIO-2 delivery readiness feels very internally focussed, and some external facing activity needs to be flagged in this work. The group also asked for further information on milestones and what needs to be achieved by when as part of this work and maintaining the challenge on timelines is a role that could be fulfilled by the ERSG going forward.

ESO to bring further information on milestones for RIIO-2 delivery readiness at a future meeting

There was a continued challenge around whether the ESO need to build the data platform themselves or whether another party could do this for the industry. It was clarified that the ESO do not intend to create a single platform for the entire industry, but for ESO data. The company will be able to give more information on this through publishing something around the Design Authority.

The ESO were asked about the challenge around internal comms and how challenging this is expected to be. The scale of change will be scary for staff and there will need to be a lot of comms about becoming a more data-oriented business. The ESO have explained that they have engaged with a lot of the business at various levels when creating the Business Plan, and there has been internal comms regarding the proposals. Over the next 12 months further clarity on timescales and the shifts in capability that will be required. Feedback from staff has been that it is ambitious and that the growth means opportunities for people. There is a good understanding of the scale of change required, and people realise that it will be a huge change.

There were further questions around the agile approach proposed for delivery in the Business Plan, and the extent to which this will be rolled out. Will it just be across the tech and product developers or will it be across the whole business? The cultural challenge brought about by this level of change cannot be underestimated. The ESO do not see this just being rolled out in the traditional IT space. It won't be 100% of the business, as more traditional parts will continue as they are but the company see benefit in deploying widely as Business As Usual. The scale of transformation that is planned is on the leading edge of what other SOs are doing, so it is difficult to know how the ESO can benchmark themselves.

The ESO have people in the business who have previously employed agile delivery to deliver the Platform for Ancillary Services (PAS) platform. This will be used a case study on how it can be rolled out further. The other area that the ESO are working on is what the governance structure should look like.

8. Early competition - Kayte O'Neil

The presenter updated the group that Ofgem have now agreed to fund the rest of the Early Competition programme. They also explained that putting a similar level of rigour and quality around the engagement process for early competition to what has been achieved for the Business Plan would be valuable. Ofgem asked the ESO to consider whether the ERSG could be used for this work. The ESO felt that structurally it was a good idea although it didn't necessarily feel like the right set of members. Therefore a sub-committee was proposed with slightly different members. The TOR was included in pre-read materials for the ERSG. The group asked whether they were supportive of this idea and if they had any comments on the TOR.

Many members voiced their support for this new group. Some felt that the value of the ERSG is having the space to have broad conversations as opposed to a workgroup where there needs to be much more focus. Getting links between this group and a working group would be a challenge. It would be useful to see the wider structure for early competition work to see if it makes sense for a group to sit in the ERSG family.

The ESO clarified that the proposed group would be specific to proposals under early competition work and coming up with what the model could look like. The ERSG sub group would be focussed on ESO efforts on working with industry to develop these proposals. The company were asked what their role looks like in the early competition model. The ESO are currently looking at how a model

might work and how the early competition process could work Ofgem have challenged them to think about what the ESO role might look like in this, as well as other parties' roles. However, no roles and responsibilities have been set. The new group's role would be to ensure that the ESO have done their job properly in engaging with the industry on compiling a model. The output of the ESO's work will be a commercial framework or model, and there will be policy and regulatory decisions that will need to be made off the back of what is recommended. BEIS would have an open invite to attend the meetings but wouldn't have a seat on the group.

ERSG want to be sure that Ofgem won't try and set up their own group to fulfil this role and the ESO confirmed that they aren't expecting them to. The ESO would expect that some members of ERSG would be part of this new group whereas others wouldn't. As with establishing the ERSG, the ESO would set out the stakeholder groups that they think need to be represented, testing this with ERSG and then appoint people according to these requirements. There would be value in the chair of the sub-group being a member of the ERSG. Ofgem asked that an ERSG style approach is used to establish this group.

The group moved on to look at the list of stakeholder sectors that had been suggested by the ESO. There was a discussion around what "tech supply chain" refers to on this list, and whether further tech representation would be required. There was also a question on what "existing service provider" was referring to, as it may not cover the newer role of aggregator, and this may need to be added to the list. There is also a need to add different types of connectee, for example smaller vs larger units.

Overall the ERSG felt that establishing a group for this purpose was the right thing to do, but questioned whether it needed to be a sub-group which reported into the ERSG. The ESO agreed to drop the "sub-group" terminology. The group also questioned whether the ESO were being asked to perform an Ofgem role in this work. The ESO don't feel that it is inappropriate for them to execute this work, especially given that they are now an independent ESO, where there hasn't previously been an independent ESO to do these roles.

10. Ongoing engagement - Emily Leadbetter

The presenter talked about a new engagement strategy which has come out of legal separation. The strategy is aimed at the ESO being a trusted partner; are they turning up with credible expertise? Are they doing what they say they're going to do? They also discussed the concept of self-interest as a company, and the extent to which they are turning up as an independent ESO. Are they presenting things in a way that make sense to our stakeholders rather than just in a way that makes sense for them? The ask to the ERSG was to act as a critical friend on this strategy, test the focus areas and make suggestions on how the company might meet their goals.

As an enduring role for the group has been supported, The ERSG felt that this would be a sensible focus for this user group.

One member raised that stakeholders may feel that the ESO are credible today, but as we move forward and talk about future the credibility of the ESO starts to diminish. How will the ESO make sure that they are maintaining it throughout the transition? It is important to measure this rather than assume it by default. Everything is feedback-based meaning that the ESO are reliant on people telling them about issues. For instance, if a stakeholder is having issues getting in touch with the ESO then how are they going to tell them about their problems? The ESO replied that hopefully by improving familiarity, stakeholders would be more aware of who they need to contact. There are simple things that can be done to make this a lot more straightforward.

Another member asked how the ESO would measure self-interest. They are working with a company called BMG to come up with a new suite of questions, one of which will be around the extent to which they turn up as independents. However this is a tricky area to measure.

The group suggested that key principles for the ESO strategy should be Transparency and consistency (i.e. saying the same thing across the whole organisation), as well as delivery.

There is always a danger that feedback gathering becomes too much of a formal activity and the informal connections get turned into a set of questionnaire answers. How are the ESO planning to gather wider, more informal feedback that people will much more readily give? Many stakeholders will be disinterested in filling out a questionnaire.

The ESO explained that in the lean processing world there is a notion of basics. If you get them wrong it's a big issue, but equally you don't get points for getting them right. Then there are "delighters" which go above and beyond expectations. Thinking about how the fundamental vs the above and beyond will feed into levels of autonomy that you give people, and it would be difficult to build this picture purely from a stakeholder satisfaction survey. The company have some measures in place for recording more informal feedback such as the CRM system, where employees are asked to record all stakeholder interactions along with a behavioural indicator score (rating out of 10).

The group probed for more information of the "trusted partner" role. What do the ESO want to be seen as a trusted partner in? Is it a trusted partner in the energy transition? The ESO confirmed that context is set in the ESO mission. The ESO want to change their insights and feedback programme because the feedback we are getting is not of a good quality through satisfaction surveys.

It was agreed that it would be useful for the ESO to use some more bespoke questions, but it was asked how they would make sure that the information that they do gather is meaningful and not biased. The ESO confirmed that they won't cherry pick, and will invite everyone who has had interactions with ESO to give feedback. The trickier part is reaching people that count themselves out of events. It must be ensured that questions are not so focussed that they aren't meaningful in the wider context. There would be a danger of taking one insight about something specific and inflating it.

It was raised that approaches between the TO and the ESO need to compliment each other. How might both companies make use of the feedback rather than asking the same stakeholders the same thing?

ESO to follow up on this conversation with Alan Kelly

It also needs to be ensured that the right people from each organisation are being asked to input. It is one thing to ask your customers if they are happy with what you're doing and another thing to ask them if you are doing what they want you to do. In the example of the water industry, customers have been engaged with really well, but the regulator then "red panned" all of the things where customers want them to do. It would be interesting to see what weight is given to customer preference on the proposals in the plan and how Ofgem treat these. The group felt that it is really important to capture not just interactions between the ESO and others, but also data on what stakeholders see the company doing and how it aligns with what they want them to do. This can't really come from the same set of questions which are focussed on specific interactions with individuals. It was mentioned by one member of the group that the innovation did a really good job on this recently.

The ERSG asked that they are able to see the wider scope of activities that the ESO do in order to gather engagement.

ESO to provide further information on the wider engagement activities at a later meeting

In case where the demand on a stakeholder to get their perspective is quite high, companies like the ESO need to really think carefully about how you engage these people because of their specialist knowledge and limited time. This requires thought to be given about where stakeholders might be other people's stakeholders.

11. AOB

The ESO raised the System Operation review that Ofgem are conducting. Ofgem will not be conducting a traditional consultation, but are inviting people to have a semi structured interview as the data gathering method. The group were encouraged to reach out to Ofgem if interested in giving their perspective. The ESO will circulate further information on how to do this to the group.

ESO to circulate information on Ofgem SO review and how to give feedback