

Early Competition Plan

Developing the Early Competition Plan

April 2021



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1 Introduction

The future of energy is evolving. Consumers are looking for a cleaner transmission network, greener generation and transportation of energy. Energy transmission must be affordable and reliable. Early competition could be the key to unlocking innovation, providing alternative solutions to network needs and opening consideration of alternative options to the design and delivery of solutions to system needs. This will ensure the right solutions are selected, whilst keeping the consumer and security of supply at the forefront. Our Early Competition Plan ("ECP") aims to reflect stakeholder views on how to create an attractive market whilst continuously driving benefit for consumers.

Our final ECP provides a summary of the key role stakeholders have played through the development of the model. In this document we expand on how we have engaged with stakeholders and how we used their feedback to shape and refine the model. Further details on how we have incorporated stakeholder feedback is detailed in Appendix 10 - You Said We Did. This document also details the project governance we have followed to ensure a high quality, robust plan. This report is structured in the following way to show our stakeholder journey.

1. Our stakeholder engagement approach
2. Our approach in action
3. ESO Networks Stakeholder Group ("ENSG")
4. How stakeholder feedback has informed our plan
5. Feedback on our stakeholder engagement
6. Programme governance

2 Our stakeholder engagement approach

Our priority when creating our Early Competition Plan ("ECP") was to work closely with stakeholders to co-create a plan which will work for industry and deliver value for consumers. We had planned to collaborate at face to face workshops hosted at various locations across the UK throughout the duration of our project. However, development of our ECP coincided with the start of the COVID-19 pandemic, and therefore we had to alter our stakeholder engagement plans to virtual alternatives. Recognising our stakeholders have additional responsibilities resulting in increased pressure on their time has made it critical we communicate and engage in an agile way. As a result, development of the ECP has been achieved mostly virtually, with stakeholders providing valuable insight through a variety of sources including:

- Webinars
- Workshops
- Q&A sessions
- Consultation responses
- Bilateral meetings
- Surveys
- Thought paper responses

Throughout the project stakeholders have remained at the forefront and we have continued to adhere to our three aims for engagement as set out in Figure 1.



Figure 1: Aims for stakeholder engagement

The first step in being able to co-create proposals, was to inform stakeholders about early competition and ask interested stakeholders to sign up to our ECP distribution list. Throughout the project we have used this distribution list to send out regular newsletters keeping stakeholders up to date with developments, informing of upcoming and future events and to provide details of how to get involved in our engagement activities.

Increasing awareness of early competition has been key to the project and we developed a stakeholder engagement plan, which ensured we contacted stakeholders at the right time and utilised social media channels including Twitter and LinkedIn to promote key milestones. Additionally, the ESO Networks Stakeholder Group ("ENSG") has enabled us to reach new stakeholders.

Our approach to engaging with our stakeholders through all phases of early competition has been centred around model development, stakeholder engagement and investigation of recommendations to develop our proposals. We then summarised through publications/consultations. Our approach has flexed during the project, initially for Phase 1 we took an iterative approach as set out in Figure 2. This involved hosting multiple stakeholder workshops, over a short period of time to present our latest development of the model and seek stakeholder views to further refine the model ahead of the next workshop.

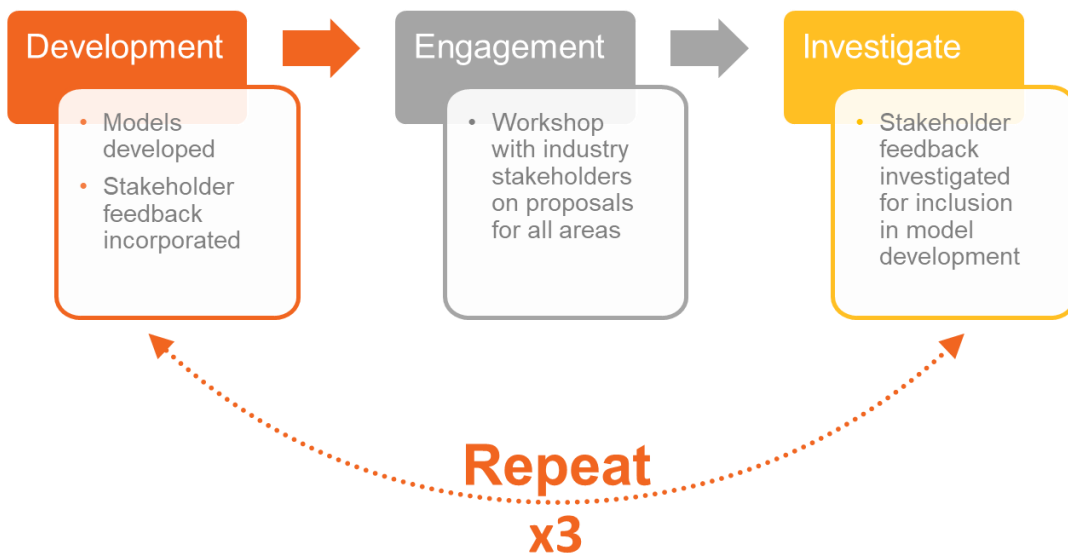


Figure 2: Phase 1 engagement cycle

However, although stakeholders liked our Phase 1 engagement process, they expressed concerns with the time commitment required. Therefore, to address our stakeholders’ concerns for Phase 2 we altered our engagement to a cyclic approach, reducing the time commitment from our stakeholders whilst continuing to co-create proposals, as set out in Figure 3. We are committed to ensuring our engagement approach meets our stakeholders needs and therefore sought feedback from stakeholders throughout the project, as detailed in Section 5 - Feedback on our stakeholder engagement. On the whole, stakeholders liked our engagement approach for Phase 2, and said they would like Phase 3 engagement to follow a similar process, with 100% of respondents to our feedback surveys saying they would like the consultation launch webinar and Q&A session repeated for Phase 2. Therefore, we continued to follow our engagement cycle approach for Phase 3.

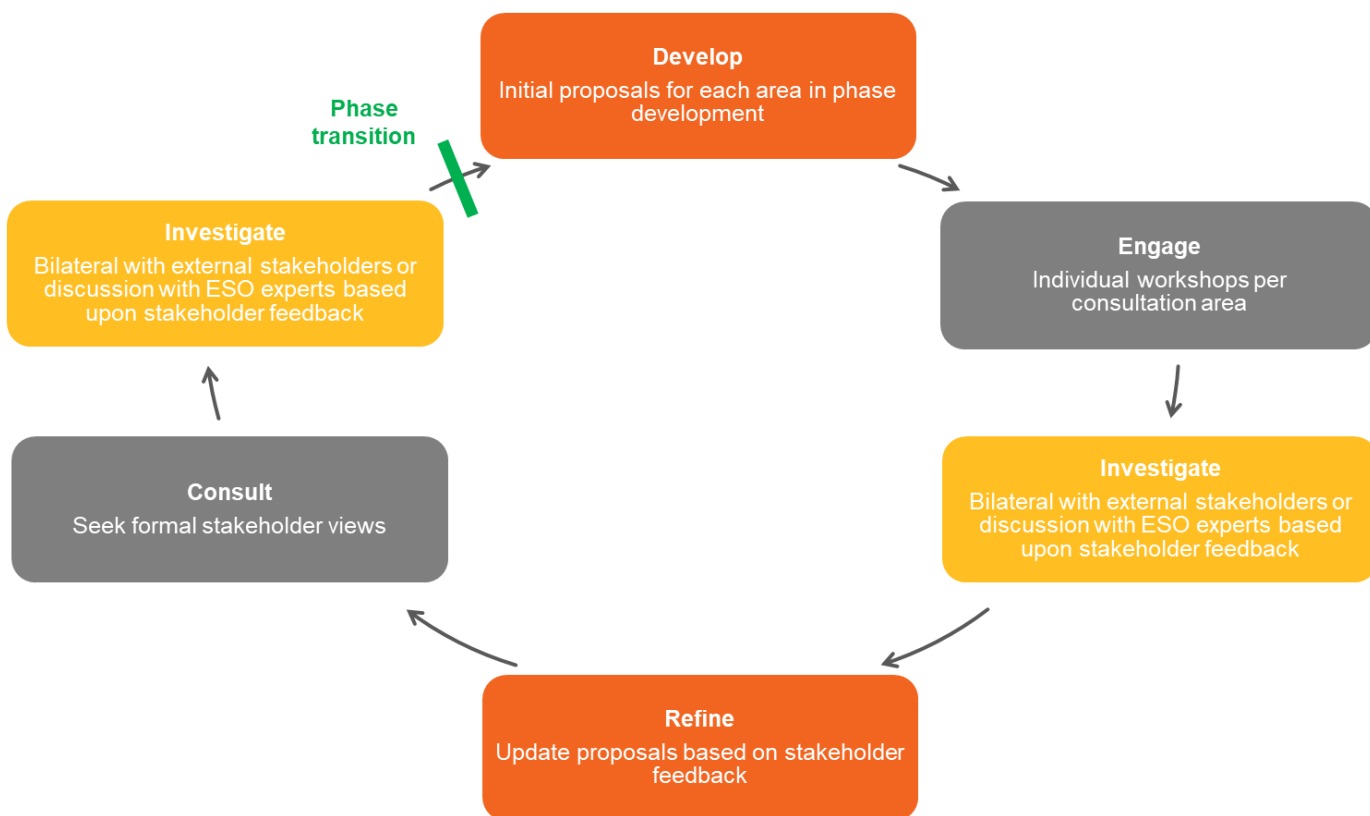


Figure 3: Phase 2 and 3 engagement cycle

Throughout the project we have received feedback from a variety of sources. The feedback and suggestions we have received from stakeholders have then been investigated through a wide range of channels outlined in Figure 4 and have in some instances led to inclusion in our ECP.

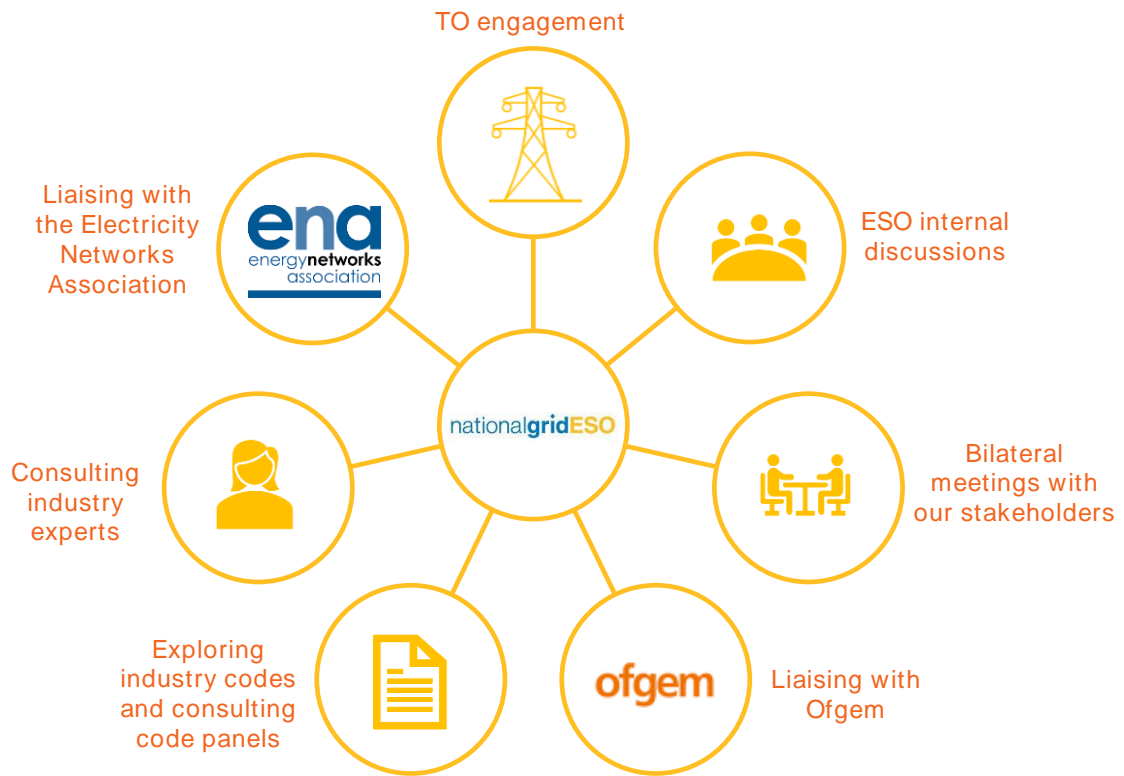


Figure 4: How we have investigated feedback

3 Our approach in action

Following the original ask from Ofgem, [set out in a letter to the ESO in September 2019](#), we hosted numerous workshops in September and October 2019 to explore high level options for key model dimensions and develop an approach for co-creation with our stakeholders. Stakeholder feedback received during these workshops informed our Phase 1 update, submitted to Ofgem in December 2019, detailing high level options for the competition model we would further explore and our approach to developing proposals with stakeholders.

Following submission of the Phase 1 update, we hosted an industry webinar in March 2020 providing our stakeholders with an overview of our findings.

A summary of Phase 1 engagement can be seen below:



Phase 2 of the project commenced in March 2020 and focussed on building blocks of the end to end early competition plan. Hosting numerous virtual workshops, we built on outputs from the previous engagement cycle. Workshop numbers were kept small to enable us to encourage debate between our stakeholders. Feedback gathered at the workshops was explored through internal discussions and bilateral meetings with industry specialists and formed the proposals set out in our Phase 2 consultation.

3.1 May workshops

Technical Tender

- Provision of information
- Project identification
- Tender evaluation

Solution Delivery & Operation

- Construction works & commissioning
- Preliminary works
- Operations, maintenance & decommissioning

Technical Commercial

- Commercial evaluation
- Procurement process
- What do winners win

In July 2020 we published our Phase 2 consultation, hosting a webinar to give stakeholders an overview of our proposals and give them the opportunity to ask any clarification questions. Towards the end of the consultation window we held a Q&A session to enable stakeholders to verbally feed into the consultation and raise any questions or concerns.

Upon closure of our Phase 2 consultation in August 2020 we received 7 formal responses.

A summary of Phase 2 engagement can be seen below:



Phase 3 engagement followed a similar format to Phase 2 as a result of positive stakeholder feedback. Multiple workshops were held in September 2020. The aim to update our stakeholders with our current thinking on topics we consulted on in Phase 2 and introduce our views on new topics for Phase 3, including the ESO's Role in Distribution. The feedback gathered at the workshops was again explored through internal

discussions and bilateral meetings with industry specialists, and formed the proposals set out in our Phase 3 consultation.

3.2 September workshops

- Roles in competition
- Heads of terms and industry code impacts
- Risk allocation and post-preliminary works cost assessment
- Operational incentives
- Indicative solution identification process
- ESO role in distribution

Our Phase 3 consultation was published in December 2020 and incorporated feedback received during Phase 1 and 2 of the project and September workshops. We repeated the launch webinar and Q&A session. However, following feedback we ran several smaller bitesize sessions, breaking the consultation down into various themes to focus and allow more time for discussions.

Upon closure of our Phase 3 consultation in February 2021, we received 11 formal responses. Feedback was investigated, as detailed in Appendix 10 - You Said We Did, and ultimately formed our final proposals which are set out in the ECP accompanying this document.

A summary of our Phase 3 engagement can be seen below:



Over the duration of the project, we have hosted 4 webinars, 60 workshops and attended 10 industry events (these included ESO and industry lead events) detailed in Figure 5.

This has provided us with a wealth of feedback that has enabled us to co-create proposals with our stakeholders. Further details on how we acted upon this feedback is detailed in section 4, How stakeholder engagement shaped our plans and Appendix 10 - You Said We Did.

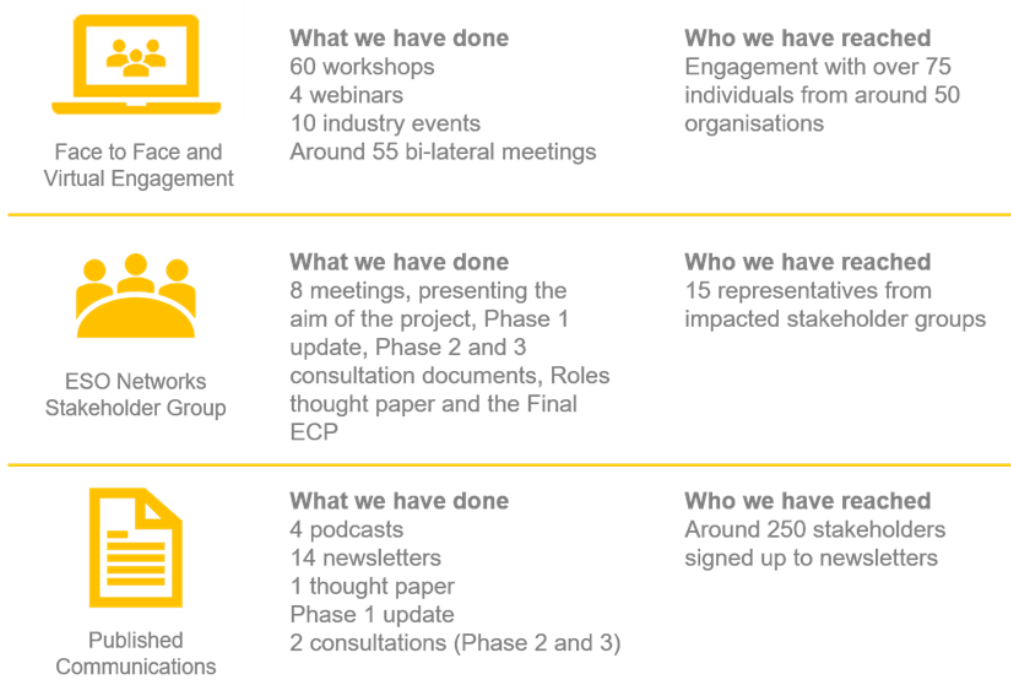


Figure 5: How we have engaged with stakeholders

4 ESO Networks Stakeholder Group (“ENSG”)

One of Ofgem’s requests when undertaking this project was to ensure we remained accountable for the quality of our stakeholder engagement through a group similar to that set up for the RIIO2 business plan submission, the ESO RIIO Stakeholder Group (“ERSG”). This led to the creation of the ESO Networks Stakeholder Group (“ENSG”). Initially we identified which industries could be impacted by the introduction of early competition, whether that be directly such as Transmission Owners, or indirectly such as organisations who represent the end consumer. We also drew up the Terms of Reference for the group so it had a clear purpose.

The chair of the group is a crucial position, requiring someone with good industry understanding and experience. To identify suitable candidates and select the chair of the ENSG the same robust approach was used as when the ERSG was appointed in July 2019. Our approach to select the chair of ENSG is set out in Figure 6.

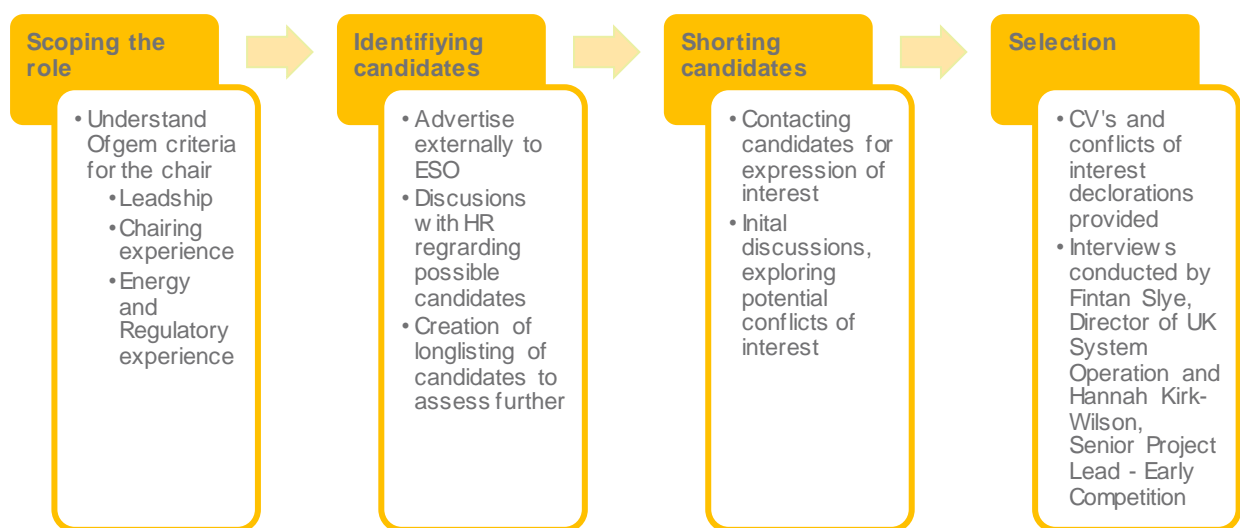


Figure 6: Our approach to select the chair of the ENSG

Dame Fiona Woolf, an energy and infrastructure lawyer and former partner with CMS Cameron McKenna was recruited through this process.

The role of the group is to support and challenge the activities of both the Early Competition and Offshore Co-ordination projects. (The Offshore Coordination project was included due to the benefits we have found from this type of group in running stakeholder led projects and the significant overlap of impacted stakeholders for both projects). The members of the group have been selected to represent industries or sectors which may be impacted by either project, rather than any particular organisation. A list of the ENSG members can be found in Appendix 8 - ESO Networks Stakeholder Group (ENSG) members list.

The group has met regularly since August 2020. Table 1 shows the dates of the meetings and a brief summary of what was covered for early competition.

Table 1: ENSG meetings

| Date | Summary of meeting |
|------------------|--|
| 11 August 2020 | Introduction to the ESO Member introductions Terms of reference Overview of early competition project |
| 2 September 2020 | Responses to Phase 2 Consultation |
| 12 October 2020 | Roles in Early Competition |
| 3 November 2020 | Outputs of September and October workshops |
| 19 November 2020 | Overview Phase 3 Consultation |
| 26 January 2021 | Feedback from the ENSG member on our Phase 3 proposals |
| 02 March 2021 | Responses to Phase 3 Consultation Deep dive on Role of the TO |
| 30 March 2021 | Overview of final ECP |

We have found the input from the ENSG invaluable as they have challenged, advised and suggested how we can build a model which can ensure inclusion across industry parties. Their role is to challenge our approach on behalf of stakeholders. An example of one of their challenges was in the length of our consultation periods. Our Phase 3 consultation originally was due to be open for 6 weeks, however stakeholders felt this was not enough time due to the complexity of the early competition model and the amount of information to consider. We used this feedback to extend the overall project timeline with Ofgem, delaying delivery of the Early Competition Plan from February to April. This allowed for a longer consultation window of 10 weeks for our Phase 3 consultation. The ENSG made suggestions of how we can expand our stakeholder interactions and some invited us to present to other groups they chair. [Minutes and slides for all the ENSG meetings and introductions to the group are on our website.](#)

More examples of where we have used the ENSG's feedback can be found in Appendix 9 - ENSG Feedback Summary.

The ENSG chair represents the ENSG members at the project Advisory Committee, more information on the advisory committee can be found in Section 6 Programme governance.

5 How stakeholder feedback informed our plan

The process to build our Early Competition Plan has been supported by stakeholders and ENSG members through their challenge, support and guidance. At our ENSG meetings, bilaterals and workshops, stakeholders have continuously challenged our ideas and encouraged us to think outside of the box to ensure we strive for a level playing field.

5.1 Key lessons

Through our stakeholder engagement we have learnt these four key lessons:



Keep our stakeholders in the know

We understand the importance of keeping our stakeholders informed of changes in our current thinking in addition to providing adequate notice of upcoming engagement events. However, through this process we have learned it is not only important how we communicate but also when. Stakeholders identified that our Phase 2 consultation launch webinar coincided with the date of a major industry publication. Upon receiving this feedback, we coordinated all subsequent key milestones with Ofgem to provide greater opportunity for our stakeholders to be involved.



Be consistent, whilst remaining flexible

These times are unprecedented, with vast changes occurring across the energy industry. We understand our stakeholder's time is precious and we are committed to making it as simple as possible for our stakeholders to get involved. Our Phase 2 and 3 workshops have followed a similar format, allowing stakeholders to know what to expect. We have repeated our workshops at multiple times to enable our stakeholders to attend at the most convenient time. To improve how we met our stakeholders needs, for our Phase 3 consultation we adapted our Q&A sessions to multiple events.



Be transparent where possible

Introduction of early competition will ultimately have a significant impact on our stakeholders and their future business plans. We realise the importance of being transparent, detailing how stakeholder feedback has informed our proposals and being clear where feedback originated from. We have set out in Appendix 10, You Said We did, how our proposals have been informed by stakeholder feedback.



Strive for fair stakeholder representation

To develop a plan which is successful and can unlock savings for the end consumer we need to capture the views of a wide variety of stakeholders. The ENSG represent the views of potentially impacted industry participants and holds us to account to ensure our proposals do not unfairly bias a single stakeholder group. They have also enabled us to reach out to stakeholder groups who we feel have been underrepresented, such as the financial and investment sector. To publicise our Phase 3 consultation and ensure the financial and investment sector were aware of early competition one of our ENSG members invited us to an interview with the International Project Finance Association ("IPFA") where we answered questions on our proposals.

We have explored all feedback we have received from our industry stakeholders, in order to determine how to evolve our proposals throughout the course of developing our Early Competition Plan. However, given the nature of the project and the wide ranging stakeholder views our proposals have had to try and reach a balanced position. This means that in some instances our proposals could not move in the direction of all stakeholder feedback. Further details on how we have investigated feedback can be found in Appendix 10, You Said We Did and Appendix 9, ENSG Feedback Summary.

To bring to life how we have acted upon stakeholder feedback, we have detailed some examples below:

5.2 Tender Process – Information Provision

In September 2020 we ran a webinar to update stakeholders on the key themes we'd heard from the Phase 2 consultation on Provision of Information. The themes of assessing risk to network and what information might be sensitive generated particular interest and debate, which highlighted new avenues for the ESO to explore.

Subsequently two workshops were scheduled in October and November. All stakeholders who participated in the September webinars were invited to participate and to extend the invitation to Subject Matter Experts ("SMEs") within their own businesses. As a result, the workshops were well attended with SMEs representing a broad spectrum (both TOs and non-TOs) and provided an opportunity to conduct a deeper dive into potential options.

The SME group particularly helped to investigate whether there was a potential solution to TO involvement in studies by utilising third party consultants to do the work, and whether there was a genuine opportunity to remove the need for studies all together. On this occasion the group helped us determine it is not practical to remove the need for the studies and that third party consultants are not a viable solution. The outputs from the workshops directly influenced our thinking and are reflected in our Phase 3 proposals.

5.3 Role of the TO

We understand that the introduction of early competition will have a huge impact on our stakeholders and their business plans. We have identified the TOs will be one of our stakeholder groups who will be greatly impacted. Although we have not been able to incorporate all their ideas and feedback into our final proposals, we have strived to keep them informed of our proposal development through a series of multilateral workshops and bi-laterals throughout the project. We hope that by hosting TO engagement sessions and keeping them informed they were more enabled to provide their views in their consultation responses.

5.4 Consultation timeline

Co-creating proposals has been our focus throughout the development of the ECP, and therefore we planned, and completed, two consultations ahead of submission of the final ECP. With the aim of the first consultation, Phase 2, to seek feedback on our initial thoughts of the early competition end-to-end model, and the second consultation, Phase 3, to further refine the model ahead of submission of the ECP. We had anticipated running both consultations for 4 week periods, however upon stakeholder feedback prior to the launch of the Phase 2 consultation from the TOs we extended our first consultation to 6 weeks. Learning from Phase 2 and recognising the large amount of information we were consulting on, we decided to increase the Phase 3 consultation response period further to 10 weeks. By increasing the consultation response period we hope to enable our stakeholders to be able to fully formulate their views and provide a comprehensive response and gain greater stakeholder representation.

6 Feedback on our stakeholder engagement

Through the insight stakeholders have given us into their sectors we have striven to create a plan which removes barriers to entry and creates, where possible, a level playing field.

Stakeholder feedback has been a priority, whether regarding our proposals or how we have conducted stakeholder events ensuring we create a space where stakeholders feel they are listened to. Appendix 7- Engagement Summary, documents when and why we have met with stakeholders, including a breakdown of stakeholder groups represented.

This has led to the team receiving positive stakeholder comments on our engagement such as:

- "Workshops are really good (structured and opportunity to engage with questions and comments)"
- "I know it is hard to do a remote workshop, and I believe the team did manage to successfully get a discussion going from everyone who wasn't necessarily the loudest"
- "Proactive consultations openness to issues what you hadn't thought of, which is not normal if you have been using a survey format"
- "I'm very happy with both the extent and the responsiveness to feedback of the consultation".

Although we have tried to flex our engagement approach based on feedback we have not always met all of our stakeholders needs. A summary and our action taken can be seen below:

- Stakeholders raised concerns that we are "going beyond legal remit in early competition consultation proposals" - we have advised Ofgem of the concerns raised
- Multiple stakeholder raised concerns over the consultation timelines - we increased our Phase 2 consultation period from 4 to 6 weeks and requested a project extension from Ofgem in order to increase our Phase 3 consultation period to 10 weeks
- Stakeholders expressed frustration with the Interested Persons process and stated "ESO were ill prepared for the September Indicative Solution Identification Process webinar, with a lack of process knowledge" - we arranged a follow up webinar with experts from our Network Planning team in order to provide greater clarity on the process and address stakeholders questions and concerns
- Difficulty accessing virtual meeting via third party website - for future events we sent calendar invites with joining instructions.

7 Programme Governance

To ensure the Early Competition Plan was delivered as a robust and well governed project, the team aligned the planning of the project to the National Grid Group recognised standards.

The standards set out the minimum requirements on things that really matter and provide a platform for best practice sharing and create a foundation for effective assurance across the business.

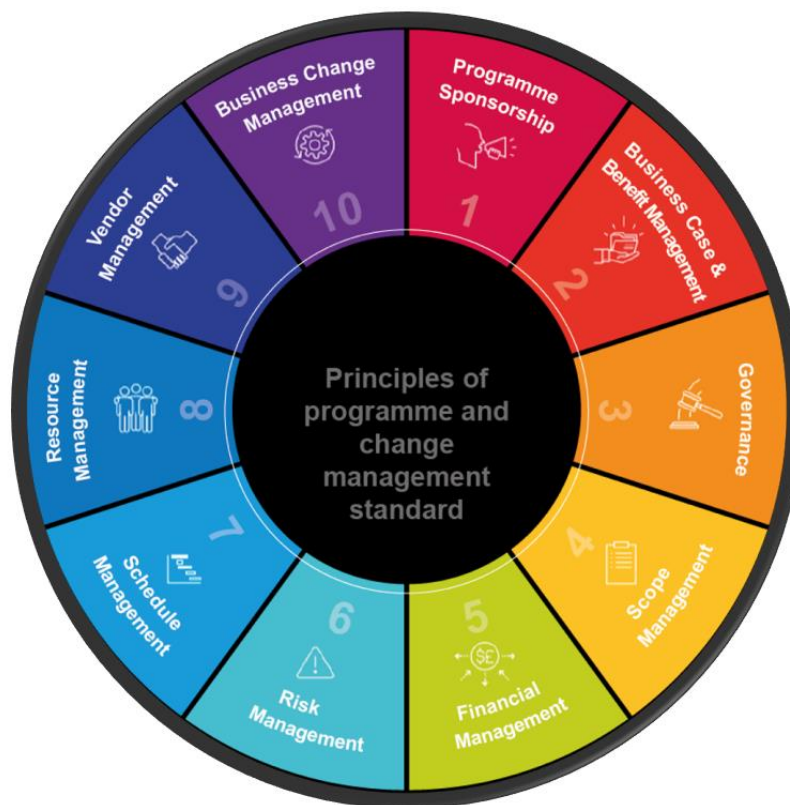
It was important to ensure the standards were adhered to, as this was the foundation of our assurance work.

The Programme and Change Management standard provides greater governance over National Grid Group programmes and enables improved schedule and budget performance on major programmes.

7.1 Key principles

There are ten key principles that underpin the standard which the early competition project adhered to in developing high-quality programme as show in Figure 7.

Figure 7: Key principles for developing the ECP



Robust documentation was produced for every principle and this was aligned with the ESO Change portfolio and assurance team.

A key aspect of the early competition programme was to have a strong governance structure in place, to ensure it remained aligned with corporate objectives, as well as Ofgem priorities. Strong governance at all levels of the programme helped ensure timely delivery of the day to day activities, regular updates to the ESO Portfolio Team, strong links to the ESO senior leaders, well engaged stakeholders, and provide oversight to the programme’s Advisory Committee.

7.2 Internal Programme Governance

The focus for internal governance was to ensure a suitable escalation process was in place for decisions and programme monitoring. The governance process in place for early competition internally can be seen in Figure 8.

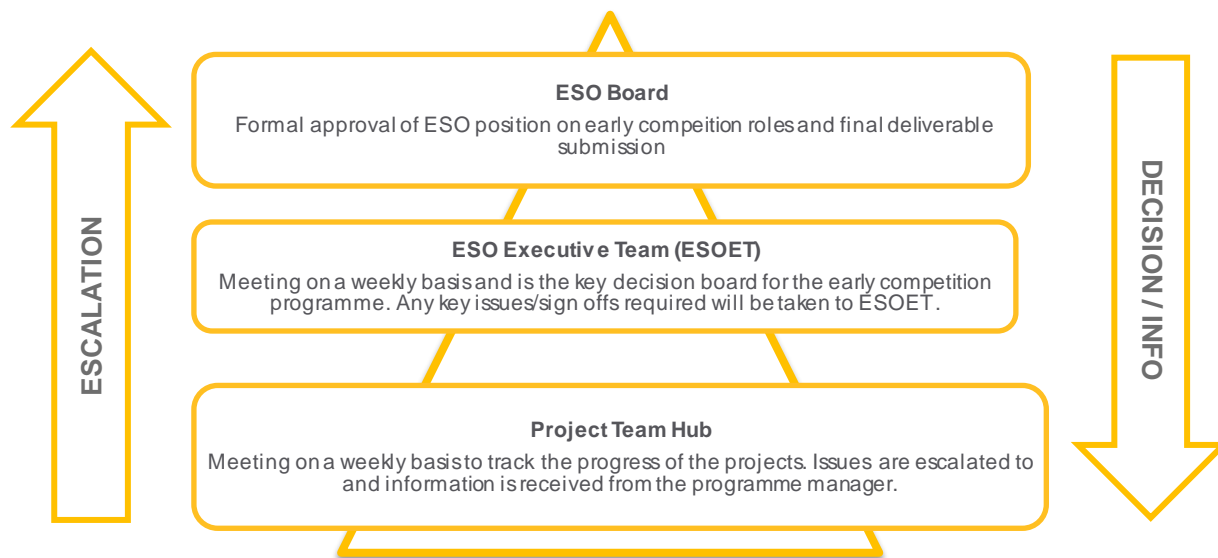


Figure 8: Internal governance

7.3 Project Team Hub

To ensure the programme remained on track to deliver on time, and in line with the business case, the early competition team followed a detailed master schedule plan (as shown in Figure 9) to ensure workstreams and deliverables were all aligned and were developed in accordance to the programme objectives. This master schedule was reviewed by the programme team on a weekly basis, at a team hub, with workstream leads providing updates to the Programme Manager in line with a defined RAG status.

7.4 ESO Executive Team

The Role of the Electricity System Operator Executive Team ("ESOET") is to provide oversight for the daily operations and strategic direction of National Grid's Electricity System Operator function. Authority to ESOET is delegated on behalf of the National Grid Electricity System Operator Board. ESOET was the early competitions decision board, with key ESO early competition asks and recommendations taken to the committee for approval and comment during the development of the Early Competition Plan.

7.5 ESO Board

The role of the National Grid ESO Board during the programme was to provide official sign off and approval of agreed ESO positions in relation to the Early Competition Plan. The final Early Competition Plan was signed off by the ESO Board.

7.6 Overall Programme Governance

Alongside our internal governance processes, it was critical that our external governance had a clear path that enabled a well-structured system, ensuring we delivered a transparent programme that enabled stakeholders to hold the programme to account, and to provide clear guidance to the objectives and direction of the Early Competition Plan. The governance process for early competition can be seen in Figure 10.



Figure 10: Overall Programme Governance

7.7 Advisory Committee

The Role of the Early Competition Plan Advisory Committee was to provide programme oversight and strategic direction of roles within early competition.

Its remit was to oversee and advise on the direction of the project, such as agreeing any changes in deliverables. It also ensured the ESO develops its proposals in a fair and transparent way, engaging appropriately with stakeholders and seeking to maximise consumer value.

The main functions of the Advisory Committee were:

1. Project Direction – to ensure project is meeting overarching objectives, including:
 - Oversee progress and direction of project such as agreeing changes in deliverables
 - Provide direction where required on any trade-offs between legislation, policy and regulatory frameworks
 - Tracking progress towards delivery of objectives
 - Identifying and managing key risks and issues.
2. Assurance – to provide assurance on Early Competition Plan activities and conduct of ESO, including:
 - Open and transparent delivery of the Early Competition Plan
 - Oversight of the activities undertaken within the Stakeholder Engagement Plan
 - Feedback from the ENSG on the transparency of decision making.

Table 2 presents the Members of the Advisory Committee and the organisation they are from.

Table 2: Members of the Advisory Committee

| Position | Organisation |
|---|--------------|
| Head of Strategy and Regulation (Chair) | ESO |
| Deputy Director, Electricity Distribution & Cross Sector Policy | Ofgem |
| Head of New Transmission Investment | Ofgem |
| Deputy Director, Net Zero Electricity Team | BEIS |
| Head of Future Networks | BEIS |
| ESO Networks Stakeholder Group (ENSG) Chair | ENSG |

7.8 ESO Networks Stakeholder Group ("ENSG")

The ENSG's role was to help ensure that the ESO develops fair and transparent early competition proposal that incorporate and balance feedback from all affected stakeholders. The group did this through constructively challenging the content of the Early Competition Plan and the ESO's approach to stakeholder engagement.

The ENSG focus was to:

- Challenge whether the views of all stakeholder groups have been fairly considered in developing proposed competition models
- Challenge whether a level playing field was being created and barriers to entry removed where possible
- Challenge whether stakeholder views have been fairly reflected in the ESO's proposed roles and responsibilities for the ESO and other industry parties
- Challenge whether the ESO's proposed funding arrangements represent value to customers.
- Provide an independent viewpoint on any questions from Ofgem
- Provide the ESO with feedback from a stakeholder perspective on the effectiveness and strategic direction of its work
- Provide a final view to Ofgem on the quality of ESO stakeholder engagement on Early Competition and whether a level playing field is being created.

Further information on the ENSG can be found in section 3 ESO Networks Stakeholder Group.

7.9 Consultation and final ECP submission

For the two consultations and the final Early Competition Plan submission, the Programme team developed clear governance steps to ensure robust, agreed, open, and transparent documents. Each deliverable underwent the same governance process which included:

- Legal reviews
- ESO Communications reviews
- Internal team reviews
- Advisory Committee reviews
- ENSG reviews.

By following the same process for each deliverable, the early competition team ensured that upon submission, it was confident that: all stakeholders were aware of the details; all within the ESO were in agreement with the information; and that the documents would withstand external scrutiny.

The governance put in place for the two consultation documents and the final submission, along with the programme internal and external governance structures, has ensured that the Early Competition Plan has been developed in a transparent, open, and accountable manner.



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