

Electricity System Operator RIIO-2 Stakeholder Group (ERSG)

BP2, meeting 4

Date: 09/02/2022	Location: MS Teams
Start: 10:00 am	End: 4:00 pm

Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
Stuart Cotton, Drax	Attend	Peter Emery, ENWL	Attend
Ed Rees, Citizens Advice	Attend	James Dickson, Transmission Investment	Attend
Eddie Proffitt, MEUC	Attend	Marko Grizelj, Siemens Energy	Attend
Simon Roberts, CSE	Attend	Gregory Edwards, Centrica	Attend
Elizabeth Allkins, OVO	Attend	Patrick Hynes, National Grid	Attend
Rachel Fletcher, Octopus	Attend	Nick Molho, Aldersgate Group	Attend
Barry Hatton, UKPN	Attend	Aileen McLeod, SSEN	Attend
Robert Lowe, UCL	Attend	Andy Manning, Chair	Attend
Nina Skorupska, REA	Attend (from 13.15)	Fintan Slye, ESO	Attend
Josh Jones, ESO	Attend	Matthew Wright, ESO	Attend
Gareth Davies, ESO	Attend	Adelle Wainwright, ESO	Attend
Vicky Chiles, ESO	Attend		

Agenda

#	Time	Topics to be discussed	Lead
1.	10.00 - 10.20	ERSG closed session to discuss questions	Andy Manning (Chair)
2.	10.20 - 10.30	Check conflicts of interest, minutes, ESO papers and action review	Adelle Wainwright (Regulatory Policy Manager)
3.	10.30 - 11.10	Our priorities between now and 2035	Matthew Wright (Head of Strategy and Regulation)/Hannah Kirk-Wilson (Strategy Senior Manager)
	11.10 - 11.20	BREAK	
4.	11.20 - 11.55	Current BP1 performance - key challenges	Gareth Davies (ESO Regulation and RIIO Senior Manager)

5.	11.55 - 12.30	Customer and stakeholder CSAT/SSAT highlights	Simon Sheridan (ESO Customer and Stakeholder Senior Manager)
	12.30 - 13.15	LUNCH	
6.	13.15 - 13.30	New and materially changed in BP2 - introduction	Urmi Mistry (Regulatory Business Planning Manager)
7.	13.30 - 14.00	Deep dive: customer connections	Susanna Neves e Brooks (Customer Connections Senior Manager) /Matthew Bent (GB Demand Manager)
8.	14.00 - 14.40	Deep dive: offshore coordination/network planning review	Ian Pashley (Network Planning Review Senior Manager)/Alice Etheridge (Offshore Coordination Senior Manager)
	14.40 - 14.50	BREAK	
9.	14.50 - 15.30	Deep dive: net zero market reform	Cian McLeavey-Reville (Markets Development Senior Manager)
10.	Rescheduled	Deep dive: market monitoring	Claire Thorpe-Morris (Market Monitoring Manager)
11.	15.30 - 15.40	Discussion to finalise next ERSG agenda	Adelle Wainwright (Regulatory Policy Manager)
12.	15.40 - 15.50	AOB	Adelle Wainwright (Regulatory Policy Manager)
13.	15.50 - 16.00	Closed session for ERSG to reflect	Andy Manning (Chair)

Discussion and details

Topics to be discussed

1. ERSG closed session

N/A notes and actions circulated separately to relevant parties

2. Conflicts of interest, minutes and actions

- ERSG 3 minutes have been amended to reflect a member's amends. These will be re-circulated for final review and sign off.
- The action log was reviewed, noting that many of the open actions can now be closed since these have been addressed through this meeting's agenda. Actions relating to the 'consumer' theme are to be addressed at the next ERSG and via the specific ERSG consumer sub-group.
- No new conflicts of interest were identified.
- Regarding the challenge log, it was noted that the ESO responses to these challenges would be reflected as part of the business plan. We will also capture ERSG feedback as part of the "you said, we did" element of the stakeholder annex.
- Updated terms of reference will be circulated to the group for comment.

Action: ERSG members to review edited minutes by 18/02/22.

Action: ERSG members to review amended Terms of Reference.

3. Our priorities between now and 2035

Presenters focussed on the 12 key topics under three broader themes which have been identified as part of the ESO's ongoing strategy refresh workshops. These were shown alongside the ESO's existing mission and ambitions. The session focussed on feedback on evolving these existing ambitions.

- In response to a query from the Chair about how the new strategy will link to BP2 activities (alongside the continuation of BP1 activities), the presenters confirmed that the strategy will continue the existing ambitions for the ESO, but to evolve to reflect the evolving landscape in which we are operating.
- The group expressed differing opinions on the sentiment of one of the ESO's current ambitions 'competition everywhere' with some noting that this may be an oversimplification, or that it needed to be more explicitly linked to consumers and cost. Others liked the phrasing and noted that sub-bullets may help to clarify the statement.
- A member highlighted that it would be beneficial to clarify whether the ESO is targeting a sustainable, low or zero carbon electricity system in its next mission. They were supportive of the whole system strategy, noting minor changes to the wording. The member also noted that the strategy needs to have a longer-term focus, beyond 2025 (to 2035), but without losing the 2025 operability ambition. Other members agreed, with some noting the 2035 zero carbon electricity policy commitment and whether this was a realistic and fair target for the ESO.
- Most of the group agreed with the new theme of 'reliability' with some requesting this to be at the forefront of the strategy. This operability focus, alongside market reform and innovation were seen as the main drivers and areas of accountability for the ESO.
- The ESO's industry leadership (going beyond thought leadership) in the context of system transformation was also highlighted as a key role in the energy transition.
- One member highlighted the mixture of outcomes and enablers in the ambitions, for example "competition everywhere" is an enabler whereas "an electricity system that can operate carbon free" is an outcome. They noted that data, culture and people will be critical enablers for achieving the extensive system transformation that is required, whilst keeping the lights on.
- Another member noted that the word 'current' should be removed from the mission statement, since this implies that this could change at any point in time.
- The existing 'trusted partner' ambition was also seen as important, although a member noted whether this should be BAU rather than an ambition.

BREAK

4. Current BP1 performance – key challenges

The presenter displayed a snapshot of the current BP1 deliverables that are facing challenges and the remedial actions being taken. They also noted the new activities and complexities the ESO has faced since BP1.

- The Chair asked whether the challenges the ESO is facing in BP1 will have a knock-on impact on BP2 deliverables, and whether BP2 is riskier than BP1. The presenter reflected that the ESO anticipate being able to recover many of these deliverables ahead of BP2. In addition to this the current business challenges provided opportunities to learn lessons, and that the two-year business planning cycle helped to provide the iterative process required to match the pace of the energy transition. An ESO representative added that the ESO is looking to add in the additional activities and complexities into the baseline plan to ensure the business delivers into BP2. Improving prioritisation and agile ways of working were also noted as capabilities the ESO is building on.
 - Some members voiced whether the cause of the delays to BP1 projects were clear enough, and if these could have been better predicted. An ESO representative stated that this was a culmination of various factors such as COVID-19, delays to recruitment and onboarding and wider market behaviours.
 - The group discussed the ESO's ability to influence and be influenced by the external energy landscape. Some members challenged the ESO's role in this context, alongside its ability to facilitate agile practices given the current industry structure and ongoing volatility (ref. the gas
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crisis). An ESO representative noted that this could be covered to an extent under the FSO, and current areas of work such as FES Bridging the Gap to Net Zero.

- Another member asked how the ESO can retain stakeholder trust whilst being flexible to the demands of the changing energy landscape in future. An ESO representative noted that communication and transparency will be key.
- A member noted the role of the ESO as a procurement body and that it would be useful to understand more about lessons learnt from relevant projects such as pathfinders and early competition, particularly regarding planning changes that may influence further process improvement.

Action: for the Chair and ESO representatives to investigate the case for an enduring ERSG throughout the RIIO-2 price controls to align with the ESO's flexible regulatory model.

5. Customer and stakeholder CSAT and SSAT highlights

The presenter discussed the key areas of feedback from customers and stakeholders and how the ESO is responding.

- The Chair challenged the ESO's understanding of who their customer is, noting the wide variety of customers the ESO interacts with. The group broadly agreed with the Chair's statement, with a member noting the need to recognise the value or different relationships - not all being equal. The presenter responded by stating that their team is carrying out customer segmentation practices to address this, alongside internal relationship management training.
 - A member noted that the strategy seemed internally driven rather than interacting extensively with external survey respondents to gain the detail required to address problems. They also suggested that perhaps the ESO is trying to do too much in this space. The presenter highlighted that the survey results are further qualified by conversations with the respondents. Regarding the member's final point, the presenter agreed, noting the operating model changes the customer and stakeholder team are undertaking to remedy this.
 - Some group members asked for clarity on customers who were pulling the CSAT scores down. They noted best practice in their organisations around giving autonomy to individuals to interact with customers and real time visibility to leaders on customer dialogue. One member in particular highlighted that lack of resourcing and knowledge seemed to be a key theme. The presenter noted the ESO's trusted partner ambition and the subsequent trust equation the ESO utilises consistently in the business. An ESO representative highlighted that resourcing is reviewed thoroughly as part of the business plan submission, with some areas having specific 'account manager' roles to build successful, targeted relationships.
 - A member asked whether the ESO has ambitions to require suppliers that it works with to have a net zero plan before working with them. The presenter noted that benchmarking around roles and feedback will be a primary focus for this financial year.
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LUNCH

6. New and materially changed in BP2

The presenter discussed the high-level changes – in terms of activities and sub-activities- from BP1 to BP2.

- The group discussed code reform at length, including the need to simplify the code change process to ensure that it's accessible for non-traditional market players. Members requested to see further detail on the BP2 proposals on code reform.
- A member noted the 'modelling and data management' sub-activity, stating that the industry has a significant journey ahead with regards to open data. The member also highlighted that they were pleased to see the inclusion of the future operability sub-theme 'identify future operability needs across whole energy system.'

Action: for the Chair and ESO representatives to identify the sub-topics to add to future ERSG agendas.

7. Deep dive: customer connections

The presenters discussed the increase in connections applications over the past year, their plans to remedy this and tactical deliverables in the context of BP2 preparation.

- Members queried whether the (49%) increase in connections applications will continue along a similar trajectory into BP2. One of the presenters noted that applications should plateau by 2026/27 if the right processes are implemented now. They reinforced the significance in changing the connections processes – working alongside other internal teams such as the network planning review team- to ensure that the electricity system isn't overly constrained.
- A member questioned the level of action proposed by the ESO, requested a more holistic planning process that joins up network planning, access, charging and system operability components, alongside wider market reforms. One of the presenters noted that they recognise this gap and are addressing it, noting that they have established a connections policy team to start this strategic process.
- Another member asked about whether the unique arrangement whereby the ESO's role is as the commercial counterparty to the connecting party but is not developing or ratifying the correctness of the offer is continually reviewed to ensure an efficient and effective process. The presenter stated that the ESO recognises it needs to do more to scrutinise offers that come from the TO. TOs are experiencing workload challenges which don't currently enable ESO/TO to collaborate in the most effective way.
- Some members noted the internal capabilities and skillsets required, particularly with relation to specific technology types.
- A member stated that there shouldn't be conflict between counterparties in the connections process if the system worked properly, citing the need for trust, competition and knowing the customer. They noted the complexities relating to Ofgem's charging regimes and the fact that connections to the transmission system are largely socialised, while connections to distribution are not. This drives certain behaviours that may not be in the interests of consumers. The member suggested a whole system analysis should be rolled out to determine whether connections should be at transmission or distribution level, based on consumer value. The presenter stated that they are in discussions with Ofgem about this, noting the current 90-day turnaround required for connections offers does not currently facilitate this type of process change.
- Members discussed the need for the ESO to play more of a leadership role in the connections process, to think more strategically. This will require the ESO to thoroughly test what a 'reasonable' connection is. Some members reflected that network planning is currently divorced from the market. One member noted that market reform will take a long time to implement; in the meantime, increased transparency and information sharing about where to cite developments would be beneficial for some.
- A member asked how the costs of managing connection requests scaled with size, and whether there was scope to simplify smaller connection requests or pass them straight onto DNOs.

Action: Chair to work with ERSG members to capture challenge relating to connections.

8 Deep dive: Offshore coordination and network planning

The presenters introduced the workings of the new Network Planning Review (NPR) team, and the interlinkages with offshore coordination developments.

- The Chair sought clarification on the uncertainty around these two projects and how they were captured in BP2. The presenters clarified that they are offering their best view for BP2 based on available information. This approach had been agreed with Ofgem.
 - A member noted that it would be beneficial to understand how the NPR and offshore coordination linked to the wider strategic picture – including the ESO's refreshed strategy. They also requested clarity on how this ties together with market reform and net zero outcomes, stressing that the ESO has a critical role in bringing these together.
 - A member queried the level of stakeholder engagement in the context of supply chain parties in the offshore coordination central design group, alongside other sub-groups. They stated that they had been involved in the dialogue led by government which had not been to the extent that they had
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anticipated. The presenter noted that the offshore coordination team are reviewing whether to resurface a previous sub-group in this context.

- Another member asked whether the ESO's virtual energy system project could be applicable to the network planning project. An ESO representative confirmed that the two will join up to an extent, highlighting the importance of modelling renewable energy and how this interacts with all areas – from the network through to consumer behaviour.
- A member highlighted that, when discussing growing infrastructure waiting for a perfect solution is not always preferable, early investment is likely to be superseded by larger infrastructure later on.

9 Deep dive: net zero market reform

- The presenter provided an overview on the scope of the ESO's net zero market reform body of work, noting that BP2 activities relating to this are still in development due to the market reform recommendations being released in March 2022.
- A member asked whether locational incentives were addressing both generation and demand. The presenter confirmed this to be the case. The member also raised questions relating to the need to take into account locationally efficient dispatch signals, sought clarification as to whether zonal pricing covers connection charges and how curtailment will be managed in the context of whole system costs.
- Members noted that they were pleased to see the ESO carrying out this work, driving change. One member stated that perhaps the success of this project is gaining BEIS and Ofgem's attention on the matter. The member noted that they were disturbed by the interface between wholesale market design and network charging in the context of Ofgem's various transmission charging reviews. The member highlighted the need to get to a coherent approach and look at the big picture.
- Market reform trials were seen as an important component of the project – with one member noting that these will need to have clear objectives, noting the breadth of this particular body of work.
- One member highlighted the links to connections and the fact that investments are taking place in areas that aren't useful, referencing the EV charging network.
- Some members noted that there will be 'losers' in the market reform process; effective stakeholder management and an understanding of political relationships will be important.
- Members mentioned the need to have clear objectives for this piece of work, with one cautioning that they wouldn't want this to slow down early decision making.
- A member raised that locational pricing doesn't drive demand citing, and that these were located primarily for geographical reasons. In response to this, another member stated that the aim is not to move to a perfect location, but to ensure that there aren't services issues (ref. coal closures in the north of England). Therefore, demand and services across the system still need to be balanced and not all on one side of the system.

Action: for ESO representatives to host a separate session on net zero market reform once the project conclusions have been reached.

10 Deep dive: market monitoring

- Rescheduled to ERSG 5 due to lack of time.

Action: the group to send any comment on the market monitoring pre-read in advance of ERSG 5 to box.ersg@nationalgrid.com.

11 ERSG agenda

- The group agreed to see future agenda items on customer connections, alongside a separate discussion on net zero.
- There was also consensus for FSO, strategy and consumer slots at ERSG 5 to provide further updates.

12 AOB

None.

13 ERSG reflections (closed group)

The group gave their reflections and closed the meeting.
