

---

National Grid ESO  
Faraday House  
Gallows Hill  
Warwick  
CV34 6DA

---

matthew.wright3@nationalgrideso.com  
www.nationalgrideso.com

17 January 2023

## **ESO response to Business Plan 2 Draft Determinations – Electricity System Operator**

Dear Eleanor,

We welcome the opportunity to respond to Ofgem's Business Plan 2 Draft Determinations – Electricity System Operator consultation.

Our main response, executive summary and supporting information annex are appended to this letter. We have responded to all 19 questions set out in your consultation, stating where we agree with your proposals, seeking clarification in some areas and outlining where we don't support the proposed approach.

Overall, we broadly support your conclusions that our plans for BP2 remain ambitious, are necessary for an effective ESO and have the potential to unlock significant consumer benefit. In particular, we welcome:

- Recognition that our BP2 plans show strong ambition and have a strengthened focus on driving the transformation to a fully decarbonised electricity system, in line with the UK Government's 2035 ambition.
- The draft decision to allow recovery of the full amount of expenditure requested to fund our activities, which equates to £671m of total expenditure ("totex") over the two-year BP2 period. This gives us the certainty we need to continue to invest in the systems, processes and people capabilities necessary to enable the energy transition and deliver substantial benefits for consumers.
- Agreement that all the activities we outlined in our BP2 submission are necessary for us to carry out our roles and functions effectively and to support the wider energy transition.

Our response also sets out our concerns with the methodology and approach used for the Value for Money assessment and for Additional Funding. We will continue to work collaboratively with your teams to provide any additional information needed and to understand in more detail how a number of elements will work in practice, for example regarding the operation of the cost monitoring framework and several of the revised performance metrics.

We thank you for your engagement on BP2 to date and we look forward to continuing to work with you and your teams to deliver our shared ambition of accelerating the pathway to net zero while delivering enhanced value to consumers. If you have any questions or comments, please contact Gareth Davies at [gareth.davies5@nationalgrideso.com](mailto:gareth.davies5@nationalgrideso.com) in the first instance or Urmi Misty at [urmi.mistry@nationalgrideso.com](mailto:urmi.mistry@nationalgrideso.com).

Yours sincerely

**Matthew Wright**

Head of Strategy and Regulation