

Public

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Governance

Annex covering the governance
overseeing the options assessment
process

7.1. Governance

1. Our governance consists of various members of different organisations: NESO senior management, Transmission Owners, Ofgem and DESNZ who will provide oversight, challenge, scrutiny and advice. This will ensure robustness of the investment recommendations as well as provide holistic energy industry insight and consider whole system needs to support or revise the marginal investment recommendations.
2. We want to ensure that key stakeholders are continuously informed. This involves engaging with them throughout the process and ensuring that all our recommendations are endorsed and reach a consensus on the marginal options.
3. We will hold discussions with members from the different organisations on the outputs of the assessment to ensure the final recommendations are robust.
4. Where relevant we will also hold support meetings with Ofgem as part of the overall Refresh plan and key dates that are outlined in Appendix D.

7.1.1 Agreeing the results

1. We will engage with senior level members from the respective organisations and set up any fora where relevant with: Transmission Owners, Ofgem and DESNZ for consideration of the results prior to publication. Where appropriate, Terms of Reference will be produced for these meetings.
2. Where necessary we will also seek further insight from other industry members using expert panels.
3. Engagement prior to the Committee gives stakeholders the opportunity to challenge and review the results before the results are decided at the Committee.

7.1.2 Deciding the results

1. NESO will continue to use the tCSNP2 Refresh Governance Committee to challenge the option recommendations developed under this methodology. The Committee’s remit is to allow NESO to review the investment recommendations that are marginal. This will seek to identify any ‘false-positive’ investment recommendations that could come about as a result of assessment process and ensure that the recommendations are justified. In addition, the Committee will ensure the recommendations are supported by the holistic needs of the system which include environment and community considerations as well as Deliverability and Operability as described in Annex 5.
2. The TOs are invited to attend the Committee to provide supporting evidence as the committee requires while maintaining the necessary commercial confidentiality. Ofgem and DESNZ can also be present as observers to represent the consumers’ interests and provide regulatory oversight, as well as understand the driving factors behind recommendations.
3. The guiding principle behind the Committee is that, on the marginal decisions the Committee reviews, the members should advise the investment recommendation they

believe is most prudent, on the balance of evidence. This means that they believe, on the balance of probabilities, the recommendation (“Proceed – Critical”, “Proceed – Maintain” or “Hold”) is the best course of action for the GB consumer. This will take into consideration the many facets of the decision including, but not limited to:

- forecasted constraints in the scenario(s) advocating the option;
- the drivers behind the investment recommendation (e.g. specific generation build-up) and the latest market information on those drivers;
- what the regret is across the other scenarios;
- what next year’s expenditure is acquiring and what it will achieve (e.g. will the expenditure allow the TOs to learn more about the option);
- what the implied scenario weight of the decision is (that is what probability would have to be placed on the driving scenario to make the same decision under expected net present value maximisation);
- wider system operability considerations including the availability of commercial solutions to congestion issues;
- potential environmental and community impacts;
- deliverability and operability of the option.

The Committee members should seek to have a risk-neutral outlook in their deliberations, that is they should seek to make decisions dispassionately, and on the balance of evidence, bearing in mind as much as possible the likelihood of future events.

4. The outcomes of our Committee will be recorded in minutes and will show the rationale behind the recommendations and highlight the challenges raised. The minutes will be made available to Ofgem, DESNZ and the TOs and published on the NESO webpage. Commercially sensitive information will be redacted from the published version.