

Meeting minutes

Independent Stakeholder Group (ISG) – Meeting 1

Date: 15/04/2024	Location: Siemens Room - IET London: Savoy Place, 2 Savoy Place, London, WC2R 0BL, United Kingdom
Start: 10:00AM	End: 3:45PM

Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
Kayte O'Neill (KO'N) (ESO)	Attend	Goran Strbac	Attend
Zoe Morrissey (ZM) (ESO)	Attend	David Mitchell	Attend
Hannah Kruimer (HK) (ESO)	Attend	Rosie McGlynn	Attend
Adelle Wainwright (AW) (ESO)	Attend	Barry Hatton	Attend (AM)
Rachel Smith (RS) (ESO)	Attend	Janet Wood	Attend
Amy Brooks (AB) (ESO)	Attend	Janine Michael	Attend
Colm Murphy (CM) (ESO - Guest)	Attend (AM)	Mark Fitch	Attend
Andy Manning (AM) (Chair)	Attend	Marko Grizelj	Attend
Elizabeth Allkins	Attend	Aileen Mcleod	Attend
Tony Green	Attend	Rachel Fletcher	Attend (virtual)
Amanda Webb	Attend	Nick Sillito	Attend (PM)
Ian Radley	Attend	Stuart Cotten	Regrets
Rob Lowe	Attend	Gregory Edwards	Regrets
Nina Skorupska	Attend	Sam Mackilligin	Regrets

Discussion and details

Topics to be discussed

- 1. Introduction from the chair and housekeeping**
 - AM gave a brief introduction to the group, the successes that previous iterations of the group had achieved, and the value the group can bring/deliver.
- 2. Welcome and purpose of the group**
 - ZM gave a brief overview covering off the purpose of the group going forwards. ESO shared that they are still looking to recruit members for where there may be gaps, such as Local Authorities and that the membership may evolve over time.

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- KO'N covered off the topics of prioritisation and delivery as we become the NESO and gave a high-level introduction to the new NESO organisational structure.
 - All members introduced themselves.
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3. Introduction to new NESO roles

NESO will be an impartial, public-sector organisation at arm's length from government and will have three statutory duties: to promote net zero, energy security and cost efficiency. CM gave an overview of existing and new NESO roles (including strategic planning, security of supply, resilience, market development and net zero energy insights). To facilitate this NESO will have a digital first mindset, considering innovation and making a step change.

Discussion focused on the following topics:

- How the org structure maps to new roles and cross cutting activities such as consumer – an action was logged to share an organogram with the group
 - How NESO are defining “customer”.
 - A short conversation was had amongst the group how most consumers are domestic and so previously an important objective for the ESO was to remain invisible, as these consumers shouldn't have to worry about where their electricity comes from. However, this is starting to change with the likes of Demand Flexibility and consistent narrative requirements across different geographical areas to enable electrification, which could present a level of discomfort amongst consumers without it. Therefore, the pace at which the NESO needs to engage with the end consumer is increasing, more than ever before.
 - How strategic planning allows NESO to bring together different planning aspects to meet the whole system challenge. This includes the Strategic Spatial Energy Plan (SSEP), investigating where storage and demand should be sited, which feeds into network planning and more certain investment – NESO is a key enabler to this.
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4. Q&A / feedback (1):

Members asked a range of questions/gave feedback on the following topics:

- There have been challenges collaborating across industry in the past. What gives stakeholders the belief that everyone will be working together, without hidden agendas to ensure there is no delay to moving forward and accelerating progress?
 - The five NESO roles are relatively easy to understand, and stakeholders will get behind them. Further questions were asked around whether there is enough common understanding of what good looks like and what each role is looking to achieve? In terms of Strategic Planning, one member asked more practical questions around how much planning gets done, how much is set in stone / is able to evolve and how granular is the planning etc.?
 - The transition this group are advising on is one of the most technically complicated ever in history. As a whole, everyone needs to be gently sceptical that it can be achieved against a fixed timetable – otherwise trade-offs may start happening to ensure that timelines are met, for example.
 - Is the same level of transformation / capability build being seen within teams at Ofgem / the Department?
 - What is the process is for bringing separate teams together under whole system, to ensure that separate teams aren't progressing along on parallel tracks.
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5. Stakeholder group operation:

AM lead this session with the group and they covered off the Terms of Reference (ToR) of the group, conflicts of interest and ways of working.

Terms of reference:

- AM mentioned that a possible addition to the ToR could be around having an output in which the group can share with Ofgem / the Performance Panel / the Department (such as a report which shows how the group have added value). Members agreed that it has worked well previously, having an external voice, but the routes for this would need to be carefully considered.

Questions were asked around:

- Timescales of membership
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- How the group will link in with the NESO board
 - Whether it is expected for the ISG to give feedback to Ofgem/the Department on their performance?

Conflicts of interest:

- AM explained that at the beginning of each meeting conflicts of interest will be covered off, where members will be expected to raise whether they have any specific issues/projects in which they have a commercial interest, in line with the items to be covered off on the agenda.

Ways of working:

- AM explained that the pre-read sent ahead of meetings will be manageable and written at a strategic level. Meetings will always have numerous breaks on the agenda and agenda items/discussions should be kept as succinct as possible, with the use of a possible sub-group approach and deep dives on specific topics if needed, further down the line.

Questions and feedback were given on the following:

- Whether the sub-group approach should be added to the ToR – this was logged as an action.
- The frequent use of acronyms and whether a glossary could be shared with the group – this was logged as an action.
- From an accessibility perspective, whether there could be microphones spread around the room in the future – this was logged as an action.
- Whether the group could have a shared working space/platform where they can share comments/any questions they have, meeting papers could sit on there etc. – this was logged as an action to investigate.
- The interchanging language of ESO vs. NESO
- AM finished off by mentioning there will be an action log opened for practical points raised, whilst there will also be a challenge/issue log for any topics that need re-visiting with further focus.

6. Q&A / feedback (2):

Members asked a range of questions/gave feedback which covered the following topics:

- When it comes to giving independent advice to government – how will this work with other statutory bodies giving guidance (such as the Climate Change Committee (CCC))? What happens if there are any disagreements etc.?
- Why biomethane doesn't seem to be included in the energy mix as often as other gas alternatives.
- The five NESO roles are very relevant and there was a keenness to get into the details. One member also highlighted that the links between them are important in terms of decarbonisation pathways and resilience, also looking at the roles from both a national and local perspective.
- There is possibly representation missing on the group from the farming/agriculture sector when considering the SSEP – action raised for this member to provide a contact.
- When it comes to providing advice, what is the difference between what the ESO currently does and what the NESO will be doing going forwards?
- Whether membership representation had been considered for gas shippers, or whether the gas supplier representatives were also representing the shippers (where possible). Another gap was possibly identified around a European TSO representative – both were logged as actions to consider.
- There had been a lot of discussion around whole system thinking in terms of gas and electricity, but what about off-grid consumers and the vision for their transition, often they can be hard to heat, carbon heavy and their journey will have a massive impact on electricity infrastructure. Another member confirmed there are programs which have been established during RIIO-ED2 to address off-grid customers.
- Would like to find out more about contingencies and what could block reaching the full ambitions across the five roles – we agreed that this could be brought back as a possible future topic.
- We may always be grappling with the definition of what the system is and what we think we know it is, as the pace of transition picks up. Some stakeholders thought it was important not to make connections between bodies in the energy system too hard and fast, that way industry can still work independently and negotiate with other parties (such as Ofgem and the Department).

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- Whether government understand that some parts of the UK will be covered, whilst other parts will not covered by NESO's view?
 - The chair confirmed that there is a keen interest amongst the group to find out more about NESO's external affairs and stakeholders etc.
 - What is worrying the Exec most about Day 1?
 - Whether there have been any downsides/negatives experienced yet as NESO transitions to a public cooperation?
 - A lot of calibration of risk could be falling on the NESO shoulders and whether NESO will be asked questions on risk, whereby they will have to answer having considered consumer, society, nature etc. How are NESO coping with that?
 - Where the source of truth comes from with regards to modelling going forward, for example ESO has BAU processes for the Future Energy Scenarios (FES), but government have their own view, based on their modelling too. Another member added that it can't all be purely data driven – there also needs to be the qualitative and conceptual understanding of the system too.
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7. Direction of travel for regulatory framework and stakeholder response to Ofgem FSO policy consultation:

HK covered off the slides on the new regulatory framework, the direction of travel, stakeholder response to Ofgem's Future System Operator (FSO) policy consultation and the framework development approach.

Members asked questions/gave feedback as follows:

- The digitalisation aspect of the NESO role requires new and specialist experience and knowledge, but it is the wages that determine where the people with the specialist skills are attracted to. This initiated a discussion amongst the group around salaries and how much flexibility/control NESO will have over pay increases once they become a public corporation.
 - Members discussed how the consumer voice could be represented in the framework, given they have such an important role to play in the future.
 - A member shared that they felt the stakeholder response was interesting in terms of advising Ofgem not to reduce the level of scrutiny. They asked what the leading indicators of success are, and how Ofgem are being held to account for their part to play in the energy transition also.
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8. NESO regulatory commitments Day 1 – April 2025

AW gave some initial background around ESO-specific commitments under its Business Plan 2 (BP2) and shared some initial thinking around a potential publication setting out higher level whole NESO commitments, covering the period from Day 1 to the end of March 2025 (which is when the ESO's BP2 ends).

Members asked questions/gave feedback as follows:

- What the difference is between the previous BP2 and the new publication. A couple of members thought that this is difficult to do for a 9-month transition period and the priorities for delivery need to be clear. This will enable NESO to continue building trust and relationships with stakeholders, bringing them on the journey (which will look different to bringing people internally on the journey).
 - Another member thought that some commitments stated the what, some stated the why, whilst others stated the how – which could come across as confusing for stakeholders. One member echoed this and expressed that although the commitment(s) may sound good, what do they look like tangibly. It was also recognised that some commitments are enabling for others and therefore an exercise should be done to pull out which are the priorities.
 - One member stated that the shorter term 6-month outlook needs to be embedded within the longer-term transition picture, to provide a balanced view and describe the bigger picture, whilst another member assumed that BP3 is now going to look significantly different to BP2.
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9. NESO regulatory commitments Day 1 – April 2025 (group exercise)

The group then split into two smaller groups to discuss the potential function and commitment areas, whether there was anything missing and what the key success measures could be for each.

- There was some debate around the purpose of the commitments, and how it is different from a corporate strategy.
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- Stakeholders felt the 9-month window is less relevant without a longer-term vision piece. One member suggested that this be presented through ‘swim lanes’, showing what will be delivered over the short and longer term.
- The current list of commitments is a mix of how/why/what and outcomes, and these should be made more consistent.
- Mixed feedback on whether there was value in producing the publication for the day 1 period, with one group explicitly stating their support and the other unclear on the value it would bring.

10. Q&A / feedback (3):

- One member asked when it would be confirmed where Day 1 is likely to fall. ESO confirmed July is the current planning assumption.
- Another member asked how the Exec Team are going to more effectively use their voice when NESO comes out of the NG group?

11. Next steps:

AW explained that the minutes would be circulated in due course. ESO colleagues will work with the chair to draft an agenda for the next meeting on Monday 20 May. Thought will also be given as to how the group’s time can be utilised most efficiently during meetings – whether this be breaking out into smaller groups, to ensure more voices are heard, or making use of virtual sub-groups in between meetings, for example.

AM brought the meeting to a close and the ESO members left the room, before the remaining group members held a closed session.

Action Item Log

Action items: In progress (and completed since last meeting)

ID	Description	Owner	Due	Status	Date
1.0	Share the new NESO organogram with the group	ESO (AB)	20/05/2024	Open	15/04/2024
2.0	Cover off (flexibility) consumer impact in a future meeting	ESO	TBC	Open	15/04/2024
3.0	Add possible sub-group approach to ISG ToR	ESO (AB)	20/05/2024	Open	15/04/2024
4.0	Share an acronym glossary with the group	ESO (AB)	20/05/2024	Open	15/04/2024
5.0	Look to have microphones spread around the room for future meetings	ESO (AB)	20/05/2024	Open	15/04/2024
6.0	Investigate the creation of a shared space / platform for ISG members to use and meeting papers to sit etc.	ESO (AB)	20/05/2024	Open	15/04/2024
7.0	Investigate membership gaps for local authorities, farming/agriculture, gas shipper and European TSO representatives?	ESO / group	20/05/2024	Open	15/04/2024
8.0	Cover off contingencies and possible blockers to reaching the full ambitions across the five NESO roles in a future meeting	ESO	TBC	Open	15/04/2024

9.0	Cover off broader industry skills and capabilities needed in a future meeting	ESO	TBC	Open	15/04/2024
10.0	Continue conversations around framework planning and ensuring the NESO are held to account by stakeholders and how, at a future meeting	ESO	TBC	Open	15/04/2024

Action items: Previously completed (where relevant)

ID	Description	Owner	Due	Status	Date
ID	Click or tap here to enter text.	Owner	Click or tap to enter a date.	Status	Click or tap to enter a date.