

# ISG Meeting Minutes

## Independent Stakeholder Group (ISG) – Meeting 2

**Date:** 20/05/24      **Location:** IET London: Savoy Place, 2 Savoy Place, London, WC2R 0BL, United Kingdom

**Start:** 10:00AM      **End:** 3:30PM

### Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
Hannah Kruimer (HK) (ESO)	Attend	Amanda Webb	Regrets
Abbie Badcock-Broe (ABB) (ESO)	Attend	Ian Radley	Regrets
Rachel Smith (RS) (ESO)	Attend	Rob Lowe	Attend
Amy Brooks (AB) (ESO)	Attend	Nina Skorupska	Attend
Graham Morgan (GM) (ESO)	Attend	Goran Strbac	Attend
Aaron Ludford (AL) (ESO)	Attend	David Mitchell	Attend
Andy Manning (AM) (Chair)	Attend	Rosie McGlynn	Attend (virtual)
Steven Wallace (ESO)	Attend	Barry Hatton	Attend
John Zammit-Haber (ESO)	Attend	Janet Wood	Attend
Andy Dobbie (ESO)	Attend (guest)	Janine Michael	Attend
Alice Etheridge (ESO)	Attend (guest)	Mark Fitch	Attend (virtual)
Rebecca Yang (ESO)	Attend (guest)	Sam Mackilligin	Attend
David Wildash (ESO)	Attend (guest)	Marko Grizelj	Regrets
Michelle Berti (ESO)	Attend (guest)	Aileen Mcleod	Attend (virtual - AM)
Elizabeth Allkins	Attend (guest)	Rachel Fletcher	Attend (virtual - AM)
Tony Green	Attend (guest)	Nick Sillito	Attend
Stuart Cotten	Attend	Gregory Edwards	Attend (Virtual)

## Discussion and details

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#	Topics to be discussed
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1.	<b>Welcome, introduction from the chair and housekeeping</b>
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- AM opened the meeting. Attendees in the room introduced themselves, followed by the virtual attendees who joined online. AM then proceeded to discuss the agenda and explained the reasoning behind the small tweaks in the original agenda structure.
  - AM checked all the ISG members had received the pre-read files. AM then discussed the structure of the detailed sessions, the objectives and intended outcomes of those sessions.
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2.	<b>Group closed session</b>
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- All ESO attendees except AB and AL (as the ISG Tech Secs) left the room to enable the start of the group closed session.
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3.	<b>Conflicts of interest, minutes, and actions review</b>
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Following the group closed session, ESO members and FS returned to the room.

- AM asked for any conflicts of interest. None were declared.
  - The previous meeting's minutes were discussed, no one raised any issues and AM confirmed that he still needs to circulate the minutes from the closed session at the end of the previous ISG meeting.
  - AB provided an overview of outstanding actions and shared the latest updates on progress made against each.
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4.	<b>Fintan spotlight and questions</b>
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The purpose of this session was for members to ask their questions about the future of NESO and the intention for how it will operate going forward.

- AM began the questions by asking FS about the levels of clarity DESNZ and Ofgem have provided for the future of NESO and its new roles, and if there was a sound understanding about "what good looks like".
- FS explained that NESO will continue to deliver what the ESO delivers today. We are clear on new specific licence obligations on gas, and what they mean. We are still finalising the specific scope in some areas – for example the Strategic Spatial Energy Plan (SSEP) where Gov is due to issue commission in two weeks. The Resilience & Emergency Preparedness roles will continue to evolve and grow with discussions with Gov & Ofgem. We need to continue to build capacity and whole system culture to be clear on our advisory role, and we are in conversation with DESNZ & Ofgem to define that.
- FS shared that we are examining data, and reviewing our adoption of AI, and this will be important to successfully delivering on key areas such as fixing connections and SSEP.
- FS explained that we are currently on track operationally to become NESO for middle of summer. There is likely to be a slight delay from original 1<sup>st</sup> July internal target date as the commercial negotiations between National Grid and government move to finalisation.
- Members raised that net zero or cost-effectiveness to consumers is not mentioned in the Strategic Commitments pre-read. Are they separate priorities, or do they underpin all? FS confirmed they underpin all throughout.
- There was some discussion around the room regarding future of policy discussions, decarbonisation of heat, and how we begin to tackle the second half of transition - 50% to 0% decarbonisation. Significant engagement needed to deliver and engage with public on this.
- FS agreed and explained that NESO will be hiring around a significant number of stakeholder engagement experts to operate within the SSEP and Regional Energy Strategic Planner (RESP) functions, to work closely and engage with the public and industry stakeholders. FS explained however for new transmission lines, that we also need to work closely with the TOs to understand what our role is as NESO vs. theirs as the TO (when it comes to detailed design of infrastructure, for example), to ensure we can engage with the public efficiently and

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not risk confusing them.

- It was asked how we build coherence with markets and planning pathways and whether this requires holistic thinking across both vectors and market levers.
- FS agreed and commented that as part of SSEP we will need to assess options around what assets need to go where, and levels of peak load etc. Market signals will impact our assumptions regarding connections. Overall, if we are investing ahead of need, we should ensure that the market signals and incentives (including wholesale markets, support schemes, connections etc) are overall broadly consistent and support value being derived from the billions of pounds of investment being made on behalf of customers – i.e., that it is used and useful.
- One member asked how defining the roles of the NESO and TOs will effect early competition conversations. FS stated that by having a clear definition of roles, it should facilitate competition and allow roles to be clearly separated and others, not just the TOs, compete to deliver new infrastructure.
- One member commented the role of Ofgem and government in assessing affordability needs to be clear. FS agreed and confirmed that conversations are ongoing with Ofgem. As we both review the regulatory relationship, we should avoid overlap and duplication.

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## 5. **Re-visit: NESO ambition and plans – latest updates**

The purpose of this session was to further introduce the members to the document being published on Day One its contents, along with stepping through each of the regulatory commitments which sit under the functions and gather feedback/views from members accordingly.

1. HK introduced the agenda item and explained that senior managers had joined us virtually to give an overview of each regulatory commitment and answer any questions.
2. ZM emphasised that we are not steering away from our BP2 deliverables and commitments. The Day One document builds on and expands on these, plus introduces the new NESO roles.
3. ABB outlined the why, what and how of the Day One document, and explained that it would be written in an accessible format, appealing to 80% of the public. This is to help audiences outside of the energy sector to engage with it as much as possible and understand it's content.
4. RS finalised by outlining the eight functions of NESO, and that each function has its own set of deliverables aligned to remainder of BP2 and handed over to each senior manager in turn.

### Steven Wallace (SW) - Systems Operation

SW provided an overview of the Systems Operation function. The questions/comments raised by members were as follows:

5. A comment was raised around reference to 'emerging energy sources' – what about existing sources and their impact?
6. The phrase zero carbon in 2025 and March 2025 are both used. Does this mean zero carbon by March 2025? Need to offer more clarity on positioning.
7. Does this relate to entire system operation including gas, or just electric?
8. How is cost-effectiveness defined? What does that mean to the reader / audience?
9. Can the link to DSO be made more explicit? / Need to articulate how we work closely with DNO colleagues.
10. Need to outline what the last two bullet points mean (stand-alone).
11. Check abbreviations and reduce specific jargon.

### Rebecca Yang (RY) - Markets

RY provided an overview of the Markets function. The questions/comments raised by members were as follows:

12. One member felt that we overuse the term "whole energy". What does this mean to

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readers – does it mean “all energy”?

13. Reduce technical jargon and abbreviations like DESNZ. What does market reserve mean? Need to make it palatable to the average person, for example replace Ofgem with regulator and DESNZ with government.
14. Make the “why” more explicit.

#### David Wildash (DW) – Connections

DW provided an overview of the Connections function. The questions/comments raised by members were as follows:

15. There is reference to “connecting new industries” – what about existing industry?
16. Conversations were had around fixing the connections process and how this includes reducing the connections queue which sits with the ESO. The second part involves decreasing the infrastructure build time, which sits with the government and TOs. A suggestion was given as to whether this needs to be referenced within the content.
17. Through our new roles, NESO need to create a joined-up system, allowing coherence between Strategic Energy Planning, connections and markets.
18. Action – should we develop a subgroup on connections? – To be confirmed with group during the next meeting.

#### Alice Etheridge (AE) – Strategic Planning

AE provided an overview of the Strategic Planning function. The questions/comments raised by members were as follows:

19. What about heat networks? Does this factor into the RESP and SSEP?
20. Needs to be a whole system approach – SSEP is at whole system.
21. Need to consider a reference to stakeholder engagement at both national and local levels, across all aspects of Strategic Planning work.
22. Consider incorporating transport networks.
23. Acronym soup of CSNP, SSEP, RESP etc. doesn't work.

#### Andy Dobbie (AD) – Security of Supply (SoS)

AD provided an overview of the Security of Supply function. The questions/comments raised by members were as follows:

24. This section should refer to net zero where possible and how it interlinks with security.
25. There was a question over whether it is technology neutral when it comes to energy security or if there is a hierarchy of needs? AD confirmed that gas security of supply assessments will be undertaken (as per learnings from post-Ukraine invasion).
26. FS commented there is overlap between markets and security of supply.
27. One member commented the language and tone of this function makes it easy to understand by a wider audience. However the ESO's role needs to be made clearer, it seems that recommendations are being made rather than the work being delivered to ensure SoS.

#### John Zammit-Haber (JZH) – Resilience

JZH provided an overview of the Resilience function. The questions/comments raised by members were as follows:

28. A question was asked around why the Electricity Restoration Standard is not referenced within the content of this function – FS confirmed that it should be.
29. It would be useful to link resilience to the process of decarbonisation, along with a mention of climate adaptation.
30. A question was asked around what makes the Resilience function different to the Security of Supply function and it was agreed that this would be brought back as a topic for further discussion.

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### Michelle Berti (MB) – Data

MB provided an overview of the Data function. The questions/comments raised by members were as follows:

31. One member asked, with so many initiatives going on across industry, are the ESO ahead/at the forefront of understanding with this? There are high expectations on this subject.
32. What is our strategy for digitisation? MB confirmed that it is to be digital first then digital leaders.
33. MB confirmed that we are aiming to go live with a geospatial platform (minimum viable product) in nine months, with a full launch in twelve months.
34. One member asked how does this link in with other Distribution Network (DN) platforms? Will NESO leapfrog these, or work in parallel?
35. Will the data link to RESP? Can/will the ESO offer guidance on how data can be interpreted, worked, and utilised?

### **Break for Lunch**

### Abbie Badcock-Broe (ABB) – Energy Insights

ABB provided an overview of the Energy Insights function. The questions/comments raised by members were as follows:

36. FS confirmed that the original four Future Energy Scenarios (FES) are moving to credible pathways, of which three remain. FS confirmed that “falling short” will be removed. In response, a discussion was had on whether “credible pathways” mean that there is only one view of the truth.
37. The word “impartial” seems to be missing and stressing the NESO’s neutrality on scenarios needs to be demonstrated. Along with emphasising that the NESO decisions and advice will be provided based on assessments. NESO are there to advise, but at the same time are impartial.
38. A question was asked around whether the future path of consumer bills is a responsibility for NESO to track. FS confirmed that NESO may need to advise/have a perspective on this and hence the new role of our chief economist in the organisation.
39. There was a comment made that NESO needs to review their social media policy to ensure impartiality across all channels and from employees etc. FS confirmed this is being looked at.
40. RESP is vital as it will allow the flow from local to regional plans and allow for much tighter cooperation between NESO, Distribution Network Operators (DNOs) and Gas Distribution Networks (GDNs) etc.
41. There was acknowledgement that NESO need to be an advisor on energy insights and trade-offs with policy decisions.
42. A question was raised if it is right to continue to re-cast FES every year and FS confirmed that this is being considered and whether an annual re-cast will still work alongside the other plans (such as CSNP), or whether it is too clunky.
43. Interdependencies were flagged as a point for discussion in the context of the Texas incidents. NESO need to keep a track of the interdependencies and FS confirmed that whole system resilience should help to account for this.

### Closing commentary on the eight functions altogether and next steps with the Day 1 document:

- There was a suggestion that an end-user breakdown should be included in the Day 1 document (so readers can understand “what does this document mean to me”). Mapping of customer groups, i.e. “I’m a DNO”, “I’m a MP”, “I’m a member of the public” etc.
- There was an ask for a technical and non-technical version of the Day 1 document, to cater for different audiences and knowledge levels.

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- There was a question around what is the consultation/stakeholder engagement plan post Day 1? And how can the ISG give advice and feed in as the date of publication draws close. It was agreed that a draft version of the Day 1 document would be shared with the group, once agreed by ESO Exec. Then a deep-dive session will be arranged (probably around mid-June) to cover off the various deep dives items discussed (below) and ISG members can feed in their views and comments accordingly.

44. There was agreement on various ISG follow-ups / deep dives, as per the below:

#### **Pre-day 1:**

- Day 1 document – ISG Deep dive to discuss contents of Day 1 document.
- Understanding of NESO functions – ISG Deep dive to discuss the 8 functions in more detail and how they interact. For example, a) markets and systems operation and b) SoS and Resilience. As part of this a discussion on how NESO's commitments on Net Zero are delivered across the 8 NESO functions and how we're delivering for consumers and ensure cost effectiveness across our 8 NESO functions.

#### **Post day 1:**

- Business Plan 3 - Deep dive on role of ISG in developing business plan 3 and its KPIs; ISG instrumental in forming what should be in it. Work through different roles e.g., ISG, performance panel, gov and Ofgem.
- Skills required and attracting talent into the organisation (building on the skill and experience the UK already has across industry) – FS confirmed that this will be covered in the "People and Capabilities" section of the Day 1 document, but maybe this section would be better re-worded as "Skill, capability and supply chain".
- There was a final question asked about how the governance framework will work once NESO becomes a quasi-public corporation and FS concluded this section by providing a summary of governance landscape – which included the reporting required to Ofgem and how the new not-for-profit structure will work.

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#### **6. Q&A session**

In this session, the ESO team fielded questions from members on a range of subjects, as outlined below:

- One member asked whether NESO will we be doing myth busting going forward (for example when people may be posting about the costs of a proposed policy, without hard facts)? FS confirmed that although NESO will continue to monitor the media, there won't be the requirement to "jump in" or intervene.
- Another member asked where does the ESO see the future role of this group and how does the ISG link into the governance framework? FS confirmed that the group are needed to provide stakeholder input into the development of our business plans, in a co-creative way, providing a safe space to share ideas. The Board are focussed on controls and governance and will need to be kept up to date on the development of business plans and stakeholder input - this could be done by Andy attending (as he has done previously), to support those conversations.
- It was suggested that the ESO could look at ownership assurance model for TfL (Transport for London), as TfL had an equivalent ISG and their Board found it useful that the group had been giving advice and steer etc.
- AM commented that the Performance Panel also offered a level of assurance to BP2 in the past. The relationship between the two groups could be better in terms of the ISG passing on insight to the Performance Panel as part of this process.
- One member asked how this group will interlink and work in conjunction with the other stakeholder groups ESO / NESO has, and what are their functions (for example the Technology Advisory Council (TAC), Markets Advisory Council (MAC) etc.)? FS confirmed that the aim is to get to a place where all stakeholder groups work together, and the ESO

assess the input from each, to feed into relevant areas of work. Furthermore, work needs to be done to define the phrasing and definition of all council, committees and groups.

- A conversation was had around due to NESO being not-for-profit, this means there are no longer any financial incentives. A comment was raised that this reinforces the need to have efficiency in the equation and FS confirmed that costs efficiency is being kept on the scorecard, internally.
- A suggestion that a deep dive on future metrics would be helpful (regardless of what happens with the Performance Panel). FS confirmed that this can feed into BP3 discussions (post Day 1), and should be conversations that the ISG are involved in.
- There was a comment raised around how NESO prioritise, address, monitor and review impact/risks which may form. FS confirmed that this group should be instrumental in forming a view which will feed into the business plan – need to determine what is the role for this group in terms of prioritisation.

7. **AOB:**

- ZM gave an introduction to the new NESO Information Request Statement and the consultation which is currently live for members to respond to. There was a challenge from the room about the number of statutory requests for information being requested by statutory bodies already, and whether investigation had been done with regards to data collected by such bodies already.
- HK gave an update with regards to the mid-scheme incentives report which was published on Friday 17 May, which will be followed up by a stakeholder event on Monday 10 June – invites are being sent out/sign-up is open for this event.

8. **Next steps:**

- AM confirmed that the minutes of the meeting would be distributed in due course.
- The Day 1 publication will be shared at the start of June, with comments invited from ISG members.
- A virtual session will be scheduled for mid-June, to go through feedback on Day 1 document and wider deep dives.
- Decision to be made on date of next in-person ISG.
- 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	Click or tap to enter a date.	Open	15/04/2024
4.0	Share an acronym glossary with the group	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/AM	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	Click or tap to enter a date.	Open	15/04/2024
9.0	Cover off broader industry skills and capabilities needed in a future meeting	ESO	Click or tap to enter a date.	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	Click or tap to enter a date.	Open	15/04/2024
11.0	Future deep dive requested on the definition of cost effectiveness and how it is measured etc.	ESO	TBC	Open	20/05/2024
12.0	Confirm with group whether to create a sub-group on Connections	All	13/06/2024	Open	20/05/2024
13.0	Draft version of the Day 1 document to be shared, once agreed by ESO Exec, for feedback and review by the group	ESO	TBC	Open	20/05/2024
14.0	Virtual session to be scheduled (probably around mid-June) to cover off the various deep dives discussed (including feedback on the Day 1 document)	ESO	TBC	Open	20/05/2024
15.0	Schedule a deep dive on potential future metrics post Day 1	ESO	TBC	Open	20/05/2024

### Action items: Previously completed (where relevant)

ID	Description	Owner	Due	Status	Date
3.0	Add possible sub-group approach to ISG ToR	AB/AM	20/05/2024	Complete	15/04/2024
5.0	Look to have microphones spread around the room for future meetings	ESO (AB)	20/05/2024	Complete	15/04/2024