

# Meeting Minutes

## Independent Stakeholder Group (ISG) – Meeting 4

**Date:** 12/09/2024      **Location:** MS Teams  
**Start:** 09:15 AM      **End:** 11:15 PM

### Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
<b>Confidential</b>	Attend	Amanda Webb	Attend
Zoe Morrisey (ZM) (ESO)	Attend	Ian Radley	Attend
Hannah Kruimer (HK) (ESO)	Attend	Rob Lowe	Regrets
Laurence Barrett (LB) (ESO)	Attend	Nick Sillito	Attend
Andy Manning (AM) (Chair)	Attend	Stuart Cotten	Attend
Alexi Reynolds (AR) (ESO)	Attend	Gregory Edwards	Attend
Aaron Ludford (AL) (ESO)	Attend	Aileen Mcleod	Attend
Adeola Onabanjo (AO) (ESO)	Attend (guest)	Barry Hatton	Regrets
Kirstin Nazareth (KN) (Ofgem)	Attend (guest)	Janet Wood	Attend
Nina Skorupska	Attend	Janine Michael	Regrets
Goran Strbac	Attend	Mark Fitch	Attend
David Mitchell	Attend	Sam Mackilligin	Regrets
Rosie McGlynn	Attend	Marko Grizelj	Attend
Rachel Fletcher	Regrets	Tony Green	Regrets
Elizabeth Allkins	Regrets		

### Discussion and details

#	Topics to be discussed
1.	<p><b>Meeting Opens</b></p> <p>AM opened discussions and outlines the purpose of the meeting which is to discuss Ofgem's consultation and the suggested approach for developing the future regulatory framework. AM ran through the agenda and checked for conflicts of interests. AM handed over to ZM.</p>
2.	<p><b>Zoe's Welcome</b></p>

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ZM welcomed the group and gave an overview of how things were progressing towards Day 1, which is still likely to be 1<sup>st</sup> October. To be confirmed at point of ISG 4. No questions asked.

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### 3. Ofgem Consultations Q&A Session

KN presented her slides to deliver an overview of how Ofgem envisage the timescale of change for NESO's regulatory framework; in three phases heading towards April 2026. She outlined the need for further engagement across their phased approach for developing BP3. This was followed by an outline of the BP3 components including performance incentives, business plan and assessment, cost regulation, stakeholder and external scrutiny. KN then invited questions from the room.

- SC queried the short timescales with the build-up to BP3 and quick turnaround for the next BP 2026. KN responded the shortened timeframe is on Ofgem's radar. As Ofgem publish their decisions on consultations, they hope to share a concrete plan with new indicative timescales and updates for the future.
- SC followed up with a second question about how incentives will work for NESO in the coming years. KN replied it's still an evolving process. Will be a phased approach to enable incremental evolution. SC flagged the importance of striking a balance between stick and carrot for employees and board members of a non-profit organisation to strive for better performance. KN responded the remuneration policy will be updated for NESO colleagues and will tie in employee progression with performance. Ofgem will review the remuneration policy. ZM agreed that the incentives aspect could be seen as a concern, however, financial incentives don't work for not-for-profit business entities. ZM feels the aspect of reputational changes for business is important. SC agreed, a balance must be found to make NESO to a great place to work and drive effectively for the future. This will help enable investment. ZM added Paul Golby's role as NESO Board Chair will help drive commercial elements despite the not-for-profit emphasis.
- AM asked KN if she can confirm that Ofgem will consult on future frameworks in April 2026 next year so members can understand timescales. KN confirmed. SC flagged that reform needs to be pushed through in a timely way to ensure Ofgem's expectations of NESO are deliverable.
- Nina S suggested the timeline looks difficult to deliver. KN agreed timescales are extraordinary so Ofgem has worked with NESO to design a draft determination at the start of the cycle so they can take on board those decisions. The first year will be a transitional year. No surprises are expected and NESO and Ofgem have been developing in lockstep.
- Nick S queried that if there are to be no surprises may stakeholders feel their views be considered? KN responded stakeholder views will be heard and discussed with NESO to avoid any discrepancy between the two as we get to our final determination process.
- MF asked what not-for-profit models have been looked at to develop the NESO model, for example, National Highways and Network Rail. KN stated Ofgem have undertaken analysis of comparable industries and sectors, to work out what's good and not. Have had to develop something bespoke for ESO / NESO as incentivisation and framework differ somewhat.
- AM asked about the inclusion of what we've learned so far from the issues with the current incentives framework and how that has been considered in the consultation. KN responded that since the December 2023 Policy direction the framework has been scrutinised and it's clear some elements don't work, and some do. Therefore, Ofgem are putting focus on maximising benefits and delivering value for money. AM suggested that to build towards those, the ISG and Performance Panel will offer valuable insights to Ofgem. KN agreed and will look at how to integrate / facilitate both this group and the Performance Panel going forward post-BP3.
- JW talked about the importance of the whole system approach and making sure the incentives and framework work both gas and electricity scopes for the whole system view. Going to be a real challenge to have that as fundamental to the organisation. KN agreed and highlighted the importance of what stakeholders think are the performance objectives that are the right areas to target. NESO to consider this for the future regulatory framework set out from April 2026.
- LB said from an ESO perspective we know we need to bring a broad whole system strategy together and drive it through our plans. BP3 will develop from current obligations, and then going forward will develop as we grow into BP3.

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- Nick S challenged the way Ofgem have prepared the consultation; it's a long document and could be more concise to help engage smaller providers. He feels the current approach to publishing can cause disengagement. KN acknowledged the point and stated Ofgem struggled with the level of granularity and detail required for all audiences. Nick S suggested many would prefer a 3–4-page exec summary with a fuller document for those who would prefer granular detail.
  - SM flagged how consultations are shared should depend on how we reach different audiences. Would like a short version / technical / non-technical summary accompanied with a longer report to go into more details. Perhaps an executive summary with a fuller appendix.

No further questions for Ofgem. Session closed.

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#### 4. **ESO Regulation Team Consultation Response Q&A Session**

LB gave an overview of the ESO regulation position. The landing of Day 1 and us making sure everything is in line has compressed the timescale for BP3. We are confident that this disruption won't come again. We have been thinking broadly and working heavily with Ofgem on the strategic big-ticket items. We have been talking about the changes needed. We have found this helpful in the big impactful things for consumers and the wider energy sector. It has allowed us to be more strategic in approach to BP, and that is the focus of assessment, and we want to drive change not focus on small details. We've got a good degree of confidence that the work we've done on BP3 is very much in line with Ofgem's proposals. Though we have engaged and developed together, we want to consider stakeholder feedback to get a view on if there is anything more to add. LB opened the room to questions.

- Nina S talked about the advisory role and a summary of text from a letter from DSNEZ to Fintan regarding the clean power advisory role. How do we anticipate the advisory role will be measured? ZM responded our role is to recommend a very clear 2030 timeline, but the question of how you regulate advisory roles is a concern. We are very clear we need to know what the clean power plan looks like in practice. The advisory role will evolve, and how we regulate that will evolve. Nina S added with the timescales and timelines for regulatory decisions, NESO has critical timescales to meet that need clarity for industry. ZM agreed that the process will make winners and losers.
- AM asked if the advisory role in BP3 will be assessed? LB responds the proposals in the framework allow us to create success measures that that are tailored for each performance objective. ZM agreed and sees our output as NESO as quality report that provides an effective analysis.
- RM asked in the context of future requests for guidance from DSNEZ on things like devolved targets in Scotland, decarbonising heat in Scotland, will there be a schedule of things to be looked at first?. ZM stated that there will be many requests when we get the clean power work at the end of October, so don't have a pipeline yet, but will look to get to that area.

No further questions on section.

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#### 5. **Approach to Business Plan**

HK discussed how we are setting up and planning BP3 and the differences from BP2. We are holding business workshops to focus on plan delivery and value for money as core criteria. We intend to incorporate stakeholder metrics for outputs. We will also use evidence to underpin how we will try to achieve our performance objectives. These objectives have been developed from what we have set out in the Day 1 document. We are developing a new BP3 document, and we see the Day 1 Launch Document as aligned regulatory commitments to our strategic priorities. The document will be around 40 pages excluding appendices. Intend to have 20 consolidated performance objectives rather than the full amount currently in there. We will bring these to the next ISG meeting for feedback.

- AM asked if we still intend to bring ISG the early view of docs as suggested before. HK confirmed absolutely intention and think it's important to get feedback as early as possible.

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- SC stated it would be valuable to have a timetable that gives us a work plan moving forward now. LB responds by saying can help set out that in fixed timescales and produce it in our consultation. Our next big broader consultation engagement is December, but we can work backwards and highlight points of engagement. AM states he is happy to work with LB to produce that. Action.
  - SM said there are two roles ISG should take: Commenting on content but also using group's different perspectives to ensure diverse audience needs are met. BP3 will go to a wider audience, and this can be difficult to navigate in a traditional way. HK talked about holding subgroups to help steer the ship as early as possible, to ensure we get on the right course early in the development. LB agreed that there will be a wide degree of familiarity, but different legacies, and different stakeholders, Advice is welcome. AM agreed with Laurence.
  - Nina S highlighted the importance of nailing timelines. Other organisations are already approaching their engagement teams for the Clean Power 2030. NESO must ensure can build confidence as get materials out. AM agreed.

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6. **AOB:**

No further business was discussed. Non-ISG members asked to leave the meeting.