Meeting 4: Independent Stakeholder Group (ISG)

Thursday 12 September





Agenda – ISG Meeting 4: Virtual 12 September 2024

| Agenda item | Lead | Purpose | Timings |
|---|---|---|---------------|
| Welcome and agenda | Andy Manning | | 09:15 - 09:20 |
| Q&A - Zoe | Zoe | Set the scene for the meeting, answer any questions on development of the meeting and run up to Day One | 09:20 - 09:30 |
| Q & A with Ofgem on their consultations on Business Plan Guidance Document for NESO and the performance incentive framework for NESO for BP3 period | Ofgem, Kirstin Nazareth | Ofgem to deliver a short presentation on the Business Planning Guidance and Incentives framework consultation they have launched & why they have suggested this approach. Opportunities for members to ask questions to Ofgem | 09:30 – 10:15 |
| Q & A with ESO Regulation team on draft consultation response | Laurence Barrett & Hannah Kruimer (ESO Regulation team) | ESO Regulation team to outline position on the consultations | 10:15 – 10:40 |
| Approach to Business Plan | Hannah Kruimer | Outline how we are developing our next business plan (BP3) in light of the consultation and how that will vary from our last submission (BP2) | 10:40 – 11:00 |
| End Session | Andy Manning | Close session with ESO members and close the session | 11:00 – 11:05 |
| Closed session (members only) next steps, subgroups, etc | Andy Manning | Members to have opportunity to discuss next steps and sub-groups they feel are needed | 11:05 – 11:15 |

Zoe's Welcome & Q&A

Ofgem Consultations Q&A Session



ISG meeting

12 September 2024



OFFICIAL-InternalOnly

As the ESO transforms into NESO, the ESO's regulatory framework will need to evolve with it. We plan to introduce changes to NESO's regulatory framework in three key phases:



A phased approach minimises delivery risk and will help us more effectively achieve our long-term objectives for an enduring NESO regulatory model.

With three stages, there will be appropriate opportunities to obtain stakeholder input, apply lessons learned from the post-Day 1 period, and align the framework appropriately with the new network price controls after RIIO-2

| Component | | Proposal for BP3 | | |
|------------------------------------|-----------------------------|--|--|--|
| Performance incentives | Performance assessment | A cross-cutting assessment of NESO's performance against the achievement of its BP3 Performance Objectives and delivery of value for money. | | |
| | Performance expectactions | We will set performance expectations by deciding on the key Performance Objectives NESO should achieve by the end of BP3, as part of our Business Plan assessment process. | | |
| Business Plan and assessment | Business Plan content | We propose that NESO's Business Plan sets out the key Performance Objectives and Success Measures for BP3, as well as a proportionate update on associated costs. | | |
| | Business Plan assessment | The Business Plan process will follow the same stages as in BP2. Ofgem's determination process will include: assessing the Performance Objectives; undertaking a Value for Money assessment; and outlining reporting requirements for BP3, including regular reports on progress and spending, and Performance Measures. | | |
| | | We will continue to a Value for Money assessment using a similar approach to BP2. However, we will not undertake a Red Amber Green (RAG) rating of IT investments as we will use the previous ratings and ongoing monitoring through the Cost Monitoring Framework (CMF) to inform our assessment for BP3. Our proposals for Performance Measures for BP3 will largely be unchanged from BP2. | | |
| Cost regulation | | No change to the cost assessment approach used for Day 1. We will continue to use the CMF, with reporting updates for BP3 to reflect the different stages of development for investments covered by the CMF. | | |
| Stakeholder and external scrutiny | | We propose to keep the same platforms for stakeholder scrutiny as at Day 1 (including the role of the NESO Performance Panel). We will review the approach to the end-of-scheme events to establish whether there are changes that can maximise engagement from BP2 | | |

ESO Regulation Team Consultation Response Q&A Session

Approach to Business Plan

BP3 - building on Day 1 document

| Purpose | Forging the path to a sustainable future for everyone | | | | | | | | | |
|------------------------------------|--|--|--|--|---|--|--|--|----------------------------|--|
| Vison | A future where everyone has access to reliable, clean and affordable energy; our work will be a catalyst for change across the global community. | | | | | | | | | |
| Values | Accelerate Progress | | Be Curious | | Create Belonging | | Build Trust | | document | |
| Strategic Priorities | Clean Power We will enable Zero Carbon Operation by adopting a whole-system approach, driving innovation and collaboration | We will develoption of the weight of the wei | flexible Energy | Consumer Value By 2026 we will have unlocked over £3 billion in consumer benefits through delivery of our existing commitments, positively impacting lives | Customer Centricity We will embrace a customer-centric approach, balancing the needs of customers, consumers and stakeholder to form meaningful partnerships | We will ha technolog through a approach | Windset Irness the power of gy and teamwork digital-first , enabling a future ass connectivity ration | People Value We will invest in our people, to ensure we are prepared and empowered to embrace the opportunities of the future | NESO day 1 launch document | |
| Day 1 Regulatory Commitments | Working closely with Government, Ofgem and industry stakeholders to develop final changes under the Review of Electricity Market Arrangements (REMA) | | | | | | | | | |
| BP3 Objectives | Regulatory Commitments will become the Objectives for BP3, with further narrative to include: - - Demonstration of how it adds value and state the expected benefits/outcomes - Demonstration of why it is important to our stakeholders | | | | | ~ | | | | |
| Success criteria | Publishing/ delivery of a product | Implem system | Implementation of a stemFeedback from stakeholdersEvidence of effective collaborationMetric/KPIDelivery of benefits | | | | | | BP3 | |
| Detailed costs | We are also required to submit detailed costs alongside the Business Plan, which will be included in a separate annex | | | | | | | | | |

Next Steps



Closed Session