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