Public

Redacted Meeting minutes

Independent Stakeholder Group – Meeting 5

Date:	10/10/2024	**Location:**	IET London
Start:	09:30am	**End:**	14:30pm

Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
Fintan Slye - NESO	Attend	Nina Skorupska	Attend
Zoe Morrissey - NESO	Attend	Stuart Cotten	Attend
Hannah Kruimer - NESO	Attend	Aileen Mcleod	Attend
Rachel Smith - NESO	Attend	Elizabeth Allkins	Regrets
Natasha Antill - NESO	Attend	Sam Mackilligin	Attend
Adeola Onabanjo - NESO	Attend	Mark Fitch	Attend
Tonderai Munetsi - NESO	Attend	Ian Radley	Regrets
Craig Dyke - NESO	Attend	Rosie McGlynn	Attend
Julian Leslie - NESO	Attend	Janet Wood	Attend
Matt Vickers - NESO	Attend	Amanda Webb	Attend
Colm Murphy - NESO	Attend	Janine Michael	Attend
Shubhi Rajnish - NESO	Attend	Gregory Edwards	Attend
Lizzie Blaxland - NESO	Attend	Barry Hatton	Regrets
Andy Manning	Attend	Nick Sillito	Regrets
Tony Green	Attend	Rachel Fletcher	Regrets
Goran Strbac	Attend	Marko Grizelj	Attend
David Mitchell	Regrets	Bob Lowe	Attend

Confidential

Minutes recipients

Recipient name	Recipient name	Recipient name	Recipient name

Agenda

#	Topics to be discussed	
1.	Welcome and introduction	AM
2.	Closed session	AM
3.	Conflict of interest and action review	AM
4.	Introduction to BP3 Performance Objectives, Major Deliverables and Success Measures	ZM/HK
5.	BP3 Performance objectives – Part 1	NESO business leads
6.	BP3 Performance objectives – Part 2	NESO business leads
7.	BP3 Performance objectives – Part 3	NESO business leads
8.	Q&A	FS, ZM
9.	AOB and next steps	AM
10.	Closed session	AM

Discussion and details

#	Topics to be discussed
1.	**Welcome and introductions** Andy opened meeting Outlined agenda and that meeting would be walking through BP3 performance objectives in draft form.
2.	**Closed session** • Closed Session minutes redacted for confidentiality purposes
3.	**Conflict of interest, minutes review and action log** • AM confirmed no conflict of interest and nothing to raise on previous minutes. • NA confirmed actions outstanding are NESO admin tasks relating to Teams access which we are working on resolving post Day 1.
4.	**Introduction to BP3 Performance Objectives, Major Deliverables and Success Measures**

ZM introduced package of BP3 POs

ZM – Reminder about Day 1 document and the commitments set out in that. Team have been working with business bottom up to get BP3 detail. Question for ISG is does this set out what we want to achieve at high level? We've tried to make POs more tangible and focus on delivery of the key things that we need to prioritise based on what customers are talking to us about. What isn't captured is BAU or we get drawn back into granular detail. The POs help us keep focus and prioritise what we will do, which we know is important to stakeholders. We are open to input on contents, phrasing, anything we've missed. How do members feel about each PO and are there ones we have got right? Had some feedback already about being too much in the KPIs – does what we are setting out drive performance? The fuller doc will set out more details. Appreciate views on how we pull out consumer value more and how do we evidence £3bn. Needs to be useful on how we show consumer value (more than just financial figure).

General comments?

Keeping lights on/new activity vs continued activity

- AM – Keeping lights on is lost in the middle. Should be at the top or separately?
- ZM – Debate we have had internally. Our historic narrative is that we keep the lights on. We didn't put it first as we didn't want to be seen as to electricity focused. We will reflect on that.
- AM – You can almost have it separately – it isn't an either/or, you have to keep the lights on.
- SM – You need to articulate clearly what are new things and things you are continuing to do. BP3 should major on the new things.
- JW – It is about keeping people moving and keeping people warm as well. Not just keeping lights on.
- SM – Keeping people moving and warm are new things to NESO. This is part of the change that is needed.

Consumer

- AM – No mention of consumer across all POs. It is a statutory duty for NESO to understand the consumer.
- SM – In terms of cost to consumer, NESO powers are limited but your response to Ofgem and proposals/market reforms is really important. Need to be clear with Ofgem on what implications are for consumer costs.
- ZM – Ofgem have focus on Value for Money framework so we will need to do lots of analysis (in the short and long term). We will pull more of that narrative out. We also need to work with Citizens Advice on consumer.

Strategic nature of POs and prioritisation

- AMcl – NESO need to draw distinction between strategic aspect and driving future change and internal change. Set objectives within those contexts. Strategic aspect means you've separated things that are necessary and interconnected. For example, CP results in connection reform, data and digital and policy aspects. Components of these need to be brought back together.
- HK – Staging is a good way of looking at it and we will look at how we present this in the document.
- NS – Putting things in a list is always difficult. You need to be clear about what is essential/must do. Could set it out as which POs are for future, which are must do and which are internal delivery. What will next steps be because you can't cover it all in first year, so stakeholders don't get angry that what is important to them isn't in there.
- SM – POs seem to be list of key activity with CP added at the top and internal org added at the bottom. That is how I saw it.
- HK – Good feedback. Not how we meant to set things out. Isn't meant to be an order of importance. We will reflect on that.
- SM – You can bring CP in by referencing it in each PO.
- ZM – We don't have any tangible outputs on CP at the moment – we have indicative things.
- JM – Have been tasked with advising Government on so it makes sense to have it as a separate PO rather than weaving through. Observation - CP can be delivered by minimising power demand and will play a part in whole system. Need to understand scale of CP needed.

Scale of change needed and metrics

- RL – Scale of CP needed. Good thing about setting 2030 deadline is that very little of rest of system will be able to respond quickly enough to increase demand significantly. For example, heat pumps not being installed quickly enough and gas grid won't convert to electrified power by 2030. Problem becomes interesting over next two decades.
- GS – Transport sector in London has an objective to electrify all buses and taxis by 2030.
- SM – Don't try to have a fixed plan. Fair to say this is first year framework.
- GS – Flexibility is critically important and it isn't strongly emphasised enough.
- JM – Where is KPI on carbon intensity? Need to look at that. Not to deliver against that in y1. What are core KPIs for consumers for carbon in first year (that public can understand)?
- ZM – We want to have concise dashboard that anyone can understand.

Stakeholder engagement

- AMcl – Need closer and broader relationships, engagement and collaboration across more vectors.
- JW – Need to take whole system approach to engagement. People will be looking to see how NESO do that.
- GS - NESO is international leader – keep it in mind. Can learn from others but show leadership.

5. BP3 Performance Objectives Part 1

Performance Objective 4: Fit for purpose markets

LB – Intro to the PO (slightly reworded from what was circulated). We are building on foundations of what we've been working on over past few years. Also have new activity for BP3 – wider market roles (gas, hydrogen, heat) and how do we bring together into whole market strategy? We want to be really open as we make progress and have planned lots of customer engagement with new stakeholders from cross vectors inviting everyone to feed into strategy. We will produce the first gas markets plan to prioritise projects that deliver the shift needed. The markets roadmap will be more familiar to everyone (and is a whole portfolio of work with lots to deliver to have balancing services and products needed for net zero). This work is underpinned by codes and regulation. Unknowns in this area – lot of work in REMA. But we are active member, we are being proactive and not just wating for Government decisions on market design. We are leading on dispatch workstream of REMA.

Questions and observations from the group

- MF - Is it actually achievable (lowering cost to consumers)? Should objective be more specific about removing friction cost or market impediments. What is in NESO hands and what can you mitigate for? Shouldn't take responsibility for all of it. And what is the time horizon for cost removal?
- TG – In narrative you mentioned three gases. Only one gas (natural) is referred to in text. Think through legacy future of gas/gas markets narrative. There should be four gases coming through in the wording – low carbon gases and biogas need to be reflected.
- NS – For 2025/26 you need to think about what public will be interested in/looking at. Constraints is high profile in the press. You need to have a metric about managing constraints better.
- GS – Market design is not aligned with low carbon agenda anywhere in the world. We can potentially meet carbon targets by building less low carbon generation. Flexibility is a core point and should be more strongly emphasised.
- NS – You need to be aware of how you will be tracked.
- ZM – What we've done within our control to bring down constraint costs is a great metric.

- GE – Could you provide more detail about codes bullet. What does it mean? What will you deliver?
- LB – Any changes to code, licence requirements or the regulatory framework need a significant process and governance. Lots of work that sits behind this – not new work but amount of work has increased significantly. We need to draw it out as a deliverable because of what is involved.
- ZM – This also captures code reform – need reform now or it will hold up progress. This deliverable isn't well articulated – needs rethinking so we will make it clearer about what we are doing in this area and how we turn up differently.
- NS – How do you make it quicker?
- AM – Voice of customer – your role is about consumers not customers. If what customers want doesn't align with consumer interests, then you shouldn't do it.
- MF – Does that mean that code objectives, which is why code changes are currently assessed would need to change for you to succeed? It is implied.
- ZM – That wasn't the intent. We will reflect on that.
- RM – What is the new direction of future of gas steering group. What does it mean? And echo TG's point about making sure when you talk about gas you are talking about all types of gas.
- LB – It is about getting gas market fundamentals right and having the right structures across value chains. Making gas markets less siloed and having the right investment policies. No document currently in place to show what we are doing but we are developing this and can share in BP3.
- ZM – We will rethink how we articulate.
- GS – Is CCUS on agenda?
- ZM – Yes but we don't call it out.
- JM – The fairness of the transition doesn't come out in this document (but it did in Day 1 doc). This PO may need to touch on it. Know is only one year but within market roadmap and flexibility strategy you need action and better understanding of what it means. Break consumer archetypes down. Need to be looking at radical change needed.
- ZM – Links to work with Citizen's Advice.
- AM – POs outline how you are going to deliver against strategy but you almost need something to say if strategy/roadmap is still the right thing to do.
- AMcl – Lot in here, potential in CP conversations for direction to come from Government to enact policy directions. Lots of these directions will be market related and across different parts of market. How are you factoring in being derailed by policy directions? Is there enough resilience to this in the plan?
- ZM – We have a feel for things that will come out of CP30 and key enablers. It's a fair challenge and we need to pull out the narrative about how we prioritise things in CP30 vs Government direction. No value in us putting things out for consultation in December that then a few months later we say we aren't going to do.
- AMcl – Coming out in forums I attend is the need to provide a stable policy environment and framework to achieve 2030 pathway. REMA is post 2030 thing –

should it be something you do as longer term strategy as opposed to short term? Nothing on the markets PO should be dismissed but it also has the potential to be derailed.

- ZM – We are challenging ourselves to look at broader market reforms now because there will be a cliff edge. We need to think about what would give, the so what and how might dropping things impact other deliverables.
- TG – Market strategy should support net zero and decarbonisation. Doesn't come across in this objective.
- BL – Interest rates are important when you are investing – will they go up or down in the next 5 years?
- JW – Looking at language – what does collaboration, consultation, engagement mean? What do you want from people and how can people actually impact this/contribute to consultation? What sort of leverage will people have? You will have a lot of people who want to contribute. Define what you expect with a limited range of clear phrases.
- ZM – Customer strategy/directorate will help and is focusing on how we will manage this. We might get lots of feedback. Must engage customers effectively and make amount of feedback manageable.
- HK – We will think about the consultation questions and what audiences we are aiming for.

Performance Objective 1: Clean Power 2030 implementation

CM introduced objective: Still evolving but we've tried to capture tangible things. CP advice and analysis. We've tried to future proof this objective and be forward looking. What will consequences of this advice be? How will NESO show up – where will we provide insight and advice and where will we deliver? How will we build on report – what does action and implementation look like? Developed 5 high level deliverables/success measures where we feel we can have the most impact. We will add detail as we get more clarity.

Questions and observations from the group

- AM – Final objective about consistently aligned objectives – does that mean align within NESO or broader with Government objectives?
- CM – Should be read both ways. E.g Connections reform will need to hang off advice and how Government acts on that advice. Things need to work in tandem so that we have the right things in place (right projects, with right tech in the right location can get connected). Other parties will be providing enabling work. Industry should be aligned on outcomes. But we also need alignment within NESO.
- JM – Suggest NESO edit 3rd bullet to say something like: Operate at pace to deliver CP by 2030 and the scale to clean power needed on the way to decarbonising.
- MF – This PO is missing key role in getting network delivered. Where is bit about getting info shared between TOs and understanding what the strategic grid needs

to be? Who is driving planning options to be mature enough so we can make progress in a timely way? What are the core things to get network delivered? How will infrastructure be delivered in long term e.g. does Early Comp help us solve for the future, how do we get network to come together in right way at right time?

- GS – When we are planning the transmission network today enhanced investment would make savings in the future. Needs to be balanced properly.
- ZM – We will take feedback away. Early competition – again it is about prioritisation, we can't do everything and we need to find balance. We need to step into TO space more. Not policing but driving progress through data/behaviour change.
- CM – Some of the detail sits underneath the deliverables. This PO is about how we show up differently as NESO (at high level). The other POs capture some of the more detailed delivery e.g. how we plan the networks.
- AMcl – Lots of organisations who will want to track for 2030. Mission control is main tracker and should do it in one consistent way. Not lots of organisations tracking in different ways. Secondly, I see CP as a delivery activity and distinct from planning afterwards. Important to deliver CP.
- JW – You need to expand the idea of keeping lights on (keeping moving, keeping warm). Gap is how we get power to where it needs to be used. Talk about expansion of networks as part of lights on, warm, moving narrative.
- ZM – Roles and responsibilities need to be clearer. What will we do, what will mission control do?
- NS – When will Government come back to you on CP report? Will you then need to re-write BP3/the POs?
- ZM – Timing is not ideal - BP3 will already be out for consultation by the time Government responds to CP.
- NS – That bottom deliverable (about ensuring consistent objectives) is really important because it is a living/moving process. All other POs will be impacted by this. How can ISG scrutinise response from Government and look at redrafted objectives?

ACTION: For AM to take away and think about (how ISG scrutinise CP response from Government and look at redrafted BP3 objectives).

Performance Objective 3: Connections reform

MV – This PO is very much about delivery. There are two packages – first is queue reform. Package of reforms is made up of code changes, methodologies and a financial instrument. Must be well reasoned, well consulted on and show how have we used data. Then in April 2025, we will shift to queue implementation – get offers out as fast as we can. TOs response is that this is a huge volume of work to get through in short time. We can't just use existing ways of working. Must be more collaborative with customers so we can get offers out quicker. Doing work now to get systems, processes and culture in place. Would be a stretch to be through whole queue by end of 2025 although we will probably be through most of it. Huge ask for huge amount of implementation.

Questions and observations from the group

- MF – What does satisfaction for DESNZ and Ofgem look like? How do you know you have succeeded?
- MV – We will improve the wording to phrase this better. Ofgem has independent role as regulator on making decisions on set of reforms but there is a shared sense of direction between us, Ofgem and DESNZ. Success is have we given Ofgem a robust set of reports that they can make decisions with? For DESNZ it's can we show linkages between connections reform and CP30 work? Can it be operationalised? Does what we are doing align with their roles and CP30 direction?
- NS - Who will audit what you say you will do is delivered and how will others involved in process be audited especially when you introduce financial incentives to the process? Who will audit the connectees?
- ZM – We are upping our capability in this area and making sure there will be robust processes in place.
- MV – We have checks and balances in place to manage queue milestones. Does the project remain ready? Is it progressing? We will be actively managing milestones. The financial instrument projects will need to show financial commitment.
- GE – On the third objective it feels like you are focusing on delivery according to what DESNZ and Ofgem want. Should industry satisfaction also feature? And on the fourth objective, you say net zero aligned products, does that mean certain types of technology and if so would you need new powers to deliver?
- MV – Second point first – when we say net zero aligned we mean CP 30 plan will tell us technical, technology and locational mix we need to deliver. Once advice is provided to Government and decision is made, no additional powers should be needed. The first point on delivery for a wider set of stakeholders – there will be parts of industry who aren't happy/kick back. We need to be careful on how we define industry satisfaction. Intent is can we build a system that investors can have confidence in? Should be a quicker process for stakeholders. Can we bring out in success measures more clearly – how will we align with DNOs and TOs so that we can deliver a better quicker customer experience? It is not just about delivery for Ofgem and DESNZ.
- AMcI – You've described this well and framed it fairly – dependency on TOs and DNOs is valid, and success will depend on others. So, you are right to call it out. On the financial instruments – I'm not sure if the last bullet is what you are meaning. Some customers will be decelerated. Maybe reframe to say remove barriers and put in place appropriate framework and incentives so projects can connect in a timely manner.
- MV – It is a collaborative endeavour. The changes in financial instrument will look at how you operationalise effectively. Need to be open with projects about impacts of this. Could build more into this objective.

6. BP3 Performance Objectives Part 2

Performance Objective 2: Strategic whole energy plans

JL – SEP is our newest function. How we bring together energy plans with methane, hydrogen and CCUS and what we are going to achieve. In BP3 the methodologies aim to get us into the position where stakeholders understand them and Ofgem approve so we work with openness and transparency. Need assurances in place to show we have done what we said we would. There are lots of methodologies being produced and a lot of development across strategic planning all in next 12 months. Very detailed and not been done ever before (regional planning, strategic spatial planning) – needs new capability, tools and ways of working. Shouldn't underestimate scale of challenge. We have tangible outputs – this time next year first SSEP pathways will be delivered and Secretary of State to decide which to take forward. For RESP – next year's deliverables focused on inputs into ED3 and consultation for RESP has only just closed. Next steps will be end of 2025 into 2026. For gas planning – first Gas Needs Capability Report in December 2024 and gas planning will grow as we become more knowledgeable in this area.

Questions and observations from the group

- AM – sense this PO is work in progress as it is new. We've seen different definitions of this objective (phrasing was different in pre-read). You've used creating aligned national and regional plans previously but, in this version, it is more about working towards. What is the right level of ambition for this PO?
- ZM – This is to be discussed. Again, it is a case of what can we commit to that is withing our control? How can they be delivered in this financial year? They aren't all deliverable this financial year but if we use the phrasing of working towards it isn't as tangible.
- JL – The ultimate aim is what is in the overall objective. However, the deliverables there show what we can deliver in BP3. Not all the outcomes for this PO are there because they won't come together until 2027.
- FS – Suggestion we say what end goal is because stakeholders don't work in business plan periods. We should say what we are doing but also be clear about the long-term goal (delivery in 2027).
- TG – There is a mixing up of the definition of clean, net zero and decarbonisation. Also, too many acronyms – should be in English language for all stakeholders. Brave to put Secretary of State as part of your success measures. Should you rephrase?
- JL – We need it as a measure of success to make sure something is done with the plan. Need a quality measure. Agree it is a big ask and big risk re Secretary of State priorities. Key outcome is the pathways are delivered, credible and one can be chosen for delivery.
- AW – A technical point about perf measures. Some of these are in the licence and you need to make sure you aren't double counting. The targets for RESP are

incredibly ambitious. Also, look at the language in the deliverables. Think they are missing specifics – e.g quality and timely and are these deliverable?

- JM – First observation – what is the RESP output? Is it one region? Needs clarity where you can. When can all regions expect to see plans? Regions are not just waiting for methodology. Give a longer horizon. Also, all the different plans are confusing e.g. how does Gas Needs Capability Report feed in. What are the pieces of whole system jigsaw? How do all the plans align?
- JL – RESP is a deliverable for whole nation into ED3 for DNOs. Need clarity following consultation to put into objectives. But we will deliver high level plans for every region. We will make that clearer. For the work on aligning everything this all sits in one directorate. Once we are in the cycle it will come together. We are producing documentation to align and see where things feed in, make sure we have common assumptions and principles. We want to ensure consistency between docs for stakeholders or we know we will be challenged. We will drive hard at assurance, alignment and consistency.
- GS – The longer-term view is important. Synergies between regional and national planning. You need to make sure national level objectives are also considered.
- SM – This is one of the areas of biggest change and biggest interaction with consumers and other stakeholders. This isn't reflected in what you have written. How can they impact this planning process? This is new – you need to reinforce it over and over. Consumers have the biggest touch/influence, so they need to be engaged.
- AM – It is tricky with Local Authorities as to who owns this.
- AMcl – It is fantastic to see this coming together after so long. Deliverables are clear in terms of methodologies will really move this forward this year. TO engagement – the ask is what is longer-term vision so this will help paint this picture across industry. Your challenge will be maintaining deadlines because of the amount of interest. Need to avoid creep by having clear timelines. Does the operability aspect of planning sit with NESO or somewhere else?
- JL – Operability is part of SSEP and RESP and will be in methodologies. Happy to come to the group and talk in more detail about this. We have a stakeholder engagement team to plan engagement, including Local Authority engagement. Lots of information sits behind these objectives and we know we need to shape language to reflect your comments on stakeholders and the broad spectrum of this.

Performance Objective 5: Secure and resilient systems

CD – This is a new role which expands on what we have already been doing. Looks at risks to resilience. How can we coordinate across emergencies? Looks at significant whole systems issues. Readiness reports will look at whole of industry and sit beside our outlooks reports (won't just look at systems but also markets etc). Gas Security of Supply report – is a gap at the moment for longer term working with National Gas Transmission. Energy Resilience report looks broader at impacts on whole system and what needs to happen to mitigate impacts. Some content in this report will be sensitive/not able to be shared. Restoration Decision support tool – to help faster restoration using distributed energy as the network becomes more complex. Tool will help with more information and more granular data. Customers can use it so together we can restore the system quickly.

Questions and observations from the group

- NS – Does this cover cyber? If so, highlight that.
- CD – Yes it does – will bring that out.
- AMcl – As part of price controls you need to submit resilience plans/investment programme. Do you see NESO through this function having a role in advising and supporting in the future within ED3 to submit resilience plans (currently the TOs provide these)?
- CD – We will need to work out how we transfer information about risks identified in the resilience assessments to the networks. Needs to drive investment decisions for networks.
- BL – What if you lose the ability for new technologies to restore the system? You are relying on technology that may not have been used in that way/tested. Have you thought about retaining fossil fire capacity e.g. gas turbines just in case?
- CD – CP30 will show what recommendation we will make to Government e.g. strategic reserves. We've also tested new technologies through distributed restart and have seen it play out in auctions. All proven to be able to work, we contract with them for the right restoration. New restoration standard – more providers means we can flex zones in the country and boundaries can be stretched. We have more flexibility with what system needs. Must meet restoration standard so it drives performance in this area.
- BL – So system will actually be more secure than previous system.
- JM – You need to draw out that message – new technology will make us more resilient.
- GS – You need to differentiate essential and non-essential demand. With digitalisation we can control demand. Batteries in buses and taxis could be used in resilience in the future. Align decarbonisation agenda with resilience. Heat pumps/hydrogen – electricity production, would enhance resilience. We need to make these links for people.
- CD – We are also looking at the longer-term strategy for how we meet the standards, but this sits outside of BP3 delivery.
- JW – Growing use of electricity systems. More users and more types (heat, transport) but we lose liquid fuels for resilience. Should acknowledge that people who rely on networks are growing. Need to acknowledge that large demand side users have role to play in resilience too.

Performance Objective 6: Electricity security of supply

CD – This is core activity of ESO and NESO but an area where everything is changing significantly and at pace. We need to do more to get ahead. Committing to zero carbon operation for one settlement period – small periods of time. We know it is not ambitious enough. Where the market presents a zero carbon position how do we operate without having to bring on fossils? We might not be in the position based on what the market offers. Should we force the position (ask Ofgem) or how can we provide assurance that we have capability? We need to be able to demonstrate we can do this. For balancing systems change, how do we build and prioritise modular pieces? How does it meet control room, roadmap and customer needs? We've just published 5yr balancing costs forecast. Know we need to minimise impact on consumer, and we must deliver savings (not just deliver a report). Need to have access to the system to allow TOs and Network Owners to build and plug new assets in. The way we deliver system access is critical. Network Control Programme is splitting out the existing energy management system (SCADA) away from TOs and will give key info that they need. On track to deliver at end of 2025. As system becomes more complex and decisions become more opaque, we need to make sure anyone in the market understands how we make decisions and can make their own decisions. Cultural shift for us. Not just pushing data out but helping with interpreting it.

Questions and observations from the group

- AM – This PO needs to not be in middle of the others so it doesn't get lost. Title has changed since pre-read. Title needs to capture wider remit of this objective.
- ZM – We will redraft to reflect wider remit of this PO.
- CD – Anything we do in this space shouldn't impact gas network or other system ops we need to think more broadly.
- NS – I appreciated you sharing the culture shift and how it isn't just about processes and systems but also people. There is a belief and trust in how fast things are changing and it gives me assurance that NESO are going to think about complexity and everything coming onto system. This is fundamental to everything else that is going on. If you can deliver for more than one settlement period this is a beacon for future change.
- AMcl – Can you deliver on recommendations of the Winser report next year? Is timescale achievable as they are longer burn?
- CD – Good challenge. Some of the recommendations have to come forward so new assets can be built but also make sure existing ones work. It needs to feed into network business plans.
- ZM - We will be clearer about what can be done under this PO.
- AMcl – Make sure you bring out how exciting this is in the narrative – it would be amazing for the whole country to achieve the targets you set.
- SM – CD explained this PO very clearly, probably because this has been core to ESO's responsibilities. Some of NESO's newer responsibilities aren't quite as clear.

- JW – Transparency will be valuable in bringing in more of the demand side. Lots of new stakeholders who won't know how electricity system works. Telling the public side of this story and giving transparency will bring in new sectors, new ideas and new investment.
- NS – This will also dictate how different energy built environment projects will get a green light. This is where everything comes together for electricity, transport and built environment – values the ambitions that these industries bring.
- BL – NESO (CD's) competency and enthusiasm is clear.

7. BP3 Performance Objectives Part 3

Performance Objective 7: Enhanced sector digitalisation and data sharing

SR – This PO is looking at how NESO contributes to wider sector digitalisation and ecosystem. How we work with Ofgem and customers to drive industry wide digitalisation. The deliverables for this PO are work in progress as we are still in discussion with Ofgem and wider industry. There is a strong commitment on delivering data sharing infrastructure and a pilot for this is already in flight. Social technical platform involved – so it is technology driven but also about trust frameworks between organisations. How can open data be more accessible? Initial thinking re how we partner to get what should be the priority of digitalisation. Lots of work already started on AI policy and ethical use and developing capability.

ZM – need to iterate more to get the right balance for this performance year. We can be more specific on some deliverables in coming months.

Questions and observations from the group

- AMcl – How broad is sector you are talking about? Just energy?
- SR- It's a broad definition which depends on use case and the challenge. For some it will be wider reach, or some will be a subset. We are using consumer value and CP30 to help define priorities and sectors. We know we need wider industry participation.
- AM – You are right about iterating as this is the first time we've seen this PO.
- GS – It is important to move to digitalised framework but need to understand risks of using it. Useful to look at cyber security as well – impacts of data on cyber security.
- SR – The security point is critical – we will be looking at security frameworks within deliverables. For example, the first success measure one of the deliverables is delivering a security framework around data sharing infrastructure. If something is a tangible infrastructure we are looking at security. But also at a policy level e.g. security around AI.
- NS – How do we deal with gaps in data that we don't have access to now e.g installers don't inform DNOs about smart tech installation and there is no consistency. We can't truly see what is connected to the system so we can't move forward with a smart approach. Is there a role for NESO here to help plug data gaps and place requirements on everyone to play their part?

- ZM – Our strategy and advisory roles step into this space. Where can we see risks and how do we flag those?
- SR – Cohesive data programmes so this might be covered across other objectives. There is a multi-party approach needed across the sector for many of the objectives. However, we wouldn't wait for a multi-party sharing infrastructure across the sector to achieve some of our other objectives.
- TG – What is the roadmap to what good looks like in the future in this area?
- SR – The third bullet looks at future/the full pipeline and the second (subject to consultation response) where Ofgem has suggested us as the interim data sharing infrastructure coordinator. This looks at immediate use cases.
- JM – Ofgem has consulted on AI usage in energy. What is NESO specific role compared to Ofgem? Is it energy networks and transmission use policy? Is there any role for NESO in issues faced by whole industry for smart meters and use of aggregated smart meter data?
- SR – First point on AI – we've been discussing with Ofgem how we support and responded to RFI on it. But it is a wider conversation also with industry and there seems to be a gap between where technology is leading us versus what we should do (cost to achieve, business cases, ethical use etc.) Which is why we say we are supporting the work.
- FS – We need to start with the story about demand efficiency and flexibility for CP 2030 not just go to the traditional economic development. Digitalisation is a core part of getting more intelligent demand flexibility.
- NS: Need to get NESO role clear vs Ofgem on smart meters.
- SR: Correct that NESO and Ofgem are working together on AI. We have our own ambition to drive and that informs some of the work we would do with Ofgem around the type of regulatory and policy frameworks we require around it.

Performance Objective 8: Stand-alone NESO systems, processes and services

SR – This is about us exiting and separating fully out of National Grid and impacts all of our core business operations from an IT perspective (but also from enabling functions perspective e.g. finance, people, processes, systems). Significant amount of activity needed over next year in this PO. It is a key activity from the perspective of managing security and financial control risks. And how it impacts our people and day to day working. Recognise that it is very internally focused so is it right as a PO?

Questions and observations from the group

- AM – Question on if this is internally focused should it sit as one of the POs?
- ZM – Obviously a key output for us during this period. Could we refocus it to talk about capability build needed? Training, ways of working, capabilities would have more of an external focus. Equally this should weave through everything we are doing.

- AW – We've talked a lot about roles and responsibilities, behaviours and culture. Is that something that needs to be picked up on?
- SR – PO describes underpinning factors, hence the focus on business operations. But it is internally focused and part of that is us developing the capabilities.
- JM – Think it is good to include this PO. You are a new entity and it reminds people that you are still going through a transition. Having an exit plan is helpful but you need to work out how to take it forward. This is a good place to show how you will transform yourself from being an electricity system operator to a whole system operator/NESO.
- ZM – We can think about broadening out the wording so it is more externally facing.
- JW – Also seems like a good place to talk about ways of working with all your stakeholders (new and existing) and how you'll be working with them in the future.
- SM – If you are going to do that then this probably shouldn't be PO number 8 – it should be the first thing people read about because it is setting the scene.
- ZM – We will take numbering off/look at order.
- NS – You mustn't mix up practical elements and cultural and way of working. How would Ofgem measure that you have the right culture? Would it be a full stakeholder survey about what they all think? It is for you internally to make sure you are on the right journey culturally or none of these POs will be delivered. The Performance Panel will have culture change as a KPI for the CEO.
- SC – Earlier POs try to cover interactions with stakeholders. Critical National Infrastructure (CNI) today will be very different to CNI tomorrow. NESO will be at the centre of markets and in control of a lot of what will happen on the system, not just the generation side. It is critical that you set record on what you do and how we move forward with it. Big interaction piece here and NESO role is about security of the system not just security of supply.
- BL – We can argue about ways to order the priorities. However, the way it is at the moment is pretty close to how readers will want them to be set out. Keep them that way.
- AM – Where did we land on needing culture in there or should it be just physical separation?
- NS – You do need something about physical processes. Could also be something broader about how you are now outside in but it could dilute this objective.
- ZM – We can take all feedback on culture and less tangible things and put it into more of the upfront narrative but will develop objectives if we can.
- AM – About how prominent you want to make this as an objective.
- GS – How can we learn from Australia and US SO work (or any other international work)?

8. Q&A

- NS – NESO have to deliver the practicalities well. How do you measure people, your beliefs, skills and development? The people side is missing.

- AMcl – Launch of NESO seems to have gone well. Congrats and new brand looks good. Long way to go in terms of landing who you are and what brand stands for and moving away from ESO and National Grid. BP3 is a tool to do this and show who you are and why you are different. Need to emphasise message about not being part of National Grid anymore.
- ZM – Useful feedback and we've evolved the document so is shorter and up front messages should be easier to understand.
- FS – You are right that it is an opportunity to articulate why the new organisation is different. We can be more outcome focused in a way that we are focused on the big things. The point around tangible stuff we need to do – transitional stuff focuses on just separation from National Grid but there is a broader set of work we need to do e.g. how do we build new capabilities, processes etc. Metric for beliefs etc is hard to achieve.
- MF – All of PO7 could be one bullet.
- AW – Are POs intended to be enduring? Will you build on them or look at a new set of POs for next price control?
- ZM – Hopefully we will be able to iterate these POs. There is flexibility in them and some will come out and new ones will go in but it shouldn't be a total blank sheet.
- FS – It needs a broader conversation with Ofgem about 5 year price control (with a 2,2,1 planning cycle) vs rolling 2 year plans. It won't be blank sheet and we need to show progress, stretch, and challenge. Lots of this work is enduring.
- JM – Are there a set of high level KPIs? E.g. Carbon intensity, price to consumer, resilience, longer term. Maybe they are in a different document but need to be discoverable to stakeholders, industry, yourselves.
- ZM – Will be part of broader discussion on regulatory framework for future with Ofgem. Not sure in the time we have got now that we can come up with a sensible metric.
- JM – Who owns carbon intensity? Mission Control?
- FS – Government owns it and is a Government policy decision. Problem is that we influence these high-level metrics but don't control them fully. But we should care about these metrics. And be transparent about them and how we care about them.
- JW – Within POs there is a very exciting story for public and country. This has never been done before and is a specialist organisation that is going to deliver it. Great examples and comparisons out there of how similar transitions have happened e.g move to smart phone. Great narrative of progress here for UK and UK resources. World leading skill for UK plc.

9. AOB and next steps

- ZM – NESO will share full draft towards end of Oct and will circulate with framing up front and POs. Feedback/comments from you will be incorporated.

ACTION: Virtual slots to be agreed and set up. Full document to be shared end of October

10. Closed session

- Closed Session minutes redacted for confidentiality purposes

Action Item Log

Note – this document contains in-progress items and a rolling 30-day history of completed items.
The complete log may be found in:

Action items: In progress and completed since last meeting

ID	Description	Owner	Due	Status	Date
A4.0	Share an acronym glossary with the group	ESO (AB)	5/20/2024	In Progress	Click or tap to enter a date.
A6.0	Investigate the creation of a shared space / platform for ISG members to use and meeting papers to sit etc.	ESO (AB)	5/20/2024	In progress	
A7.0	Investigate membership gaps for local authorities, farming/agriculture, gas shipper and European TSO representatives?	ESO / AM	5/20/2024	In Progress	
A12.0	Confirm with group whether to create a sub-group on Connections	All	5/20/2024	In Progress	
A18.0	For AM to take away and think about (how ISG scrutinise CP response from Government and look at redrafted BP3 objectives).	AM	Next Meeting (Virtual Nov 24)		
A19.0	Virtual slots to be agreed and set up. Full document to be shared end of October	AL	Next Meeting (Virtual Nov 24)		
A20.0	AM to think about purpose of a response document and circulate thoughts to members. Might include description of engagement process,	AM	Next Meeting (Virtual Nov 24)		

	challenge, support provided by the group, conclusions reached etc.		
A21.0	AM to circulate previous response document done for BP2 to ISG members.	AM	Next Meeting (Virtual Nov 24)
A22.0	As members go through the document make sure that more specific issues are captured in writing so that they are raised and logged.	AM	Next Meeting (Virtual Nov 24)

Action items: Previously completed

ID	Description	Owner	Due	Status	Date
A1.0	Share the new NESO organogram with the group	ESO (AB)	5/20/2024	Completed	
A3.0	Add possible sub-group approach to ISG ToR	ESO (AB)	5/20/2024	Completed	
A5.0	Look to have microphones spread around the room for future meetings	ESO (AB)	5/20/2024	Completed	
A13.0	Draft version of the Day 1 document to be shared, once agreed by ESO Exec, for feedback and review by the group	ESO	5/8/24	Completed	05/08/2024
A14.0	Virtual session to be scheduled to cover off the various deep dives discussed (including feedback on the Day 1 document)	ESO	TBC	Completed	12/09/2024

A16.0	Andy to review and provide approval that he is happy for the meeting 2 minutes to be circulated with the group	AM	ASAP	Completed	02/10/2024