Electricity System Operator RIIO-2 Stakeholder Group (ERSG)

BP2, Meeting 3 – 12 Jan 2022, 10:00-16:00

Virtual meeting held via Microsoft Teams

Minutes

Attendees

ERSG members

Stuart Cotton	Drax
Ed Rees	Citizens Advice
Eddie Proffitt	Major Energy Users Council
Simon Roberts	Centre for Sustainable Energy
Elizabeth Allkins	Ovo
Rachel Fletcher	Octopus
Peter Emery	Electricity North West
James Dickson	Transmission Investment
Marko Grizelj	Siemens Energy
Gregory Edwards	Centrica
Patrick Hynes	National Grid
Nick Molho	Aldersgate Group
Barry Hatton	UKPN
Aileen McLeod	SSEN
Robert Lowe	University College London
Andy Manning	Chair
Matthew Wright	ESO-Company rep
Fintan Slye	ESO-Company rep
Gareth Davies	ESO-Company rep
Sophie Corbett	Technical Secretary

ESO Support

Norma Dove-Edwin	ESO-Presenter – Digital Ways of Working
Hannah Kirk-Wilson	ESO-Presenter – BP2 Strategy & Early Competition
Katharina Meehan	ESO-Presenter – Early Competition
Andrew Wainwright	ESO-Presenter – DSO
Charon Balrey	ESO-Presenter – DSO
Laura Parkes	ESO-Presenter – Consumer
Josh Jones	ESO-Presenter – BP2 Stakeholder engagement
Urmi Mistry	ESO-Presenter – BP1 Performance

10:20 - Conflicts of interest, minutes, actions

No new conflicts of interest were raised. The chair invited comments on the action list and a member asked (referring to 2.10 National Control Review), whether there was a link between the specific problem statements identified and external stakeholder priorities. The ESO confirmed the National Control Review was an internally focussed review focused on improving the implementation of change with the Control Centre. Stakeholder feedback was not directly linked to this work but captured as part of our ongoing BAU engagement.

Defining what constitutes a material change

The ESO summarised their approach to identifying material changes and the discussions to date with Ofgem. Members commented that it would be useful to review the approach once tested, to consider that a change in benefits (not just cost) may constitute a material change, and to consider what happens if a change to the wider context results in a broader change in the focus of the plan.

10:35 - Pivoting ERSG based on members discussions – Gareth Davies, ESO

The presenter summarised the slides and opened for questions, receiving the following comments/questions:

- The chair summarised their conversation with Ofgem, and posed the question, do the ESO's priorities align with the views of the ERSG and industry on what the ESO's priorities should be? The group emphasised the importance of deliverability, prioritisation, and the relationship between the strategy and action planning activities. Noting that this is where the ERSG wanted to provide challenge. Noting that a discussion on ESO strategy was to be discussed later on the agenda.
- The group discussed stakeholder engagement, noting that stakeholders will ask for a lot of things, and the ESO must be able to assess which things will add value for end consumers and which won't, noting the expectation on the ESO to not proceed with non-value add activities, even if stakeholders have asked for it.
- The group broadly endorsed the proposal and the ESO agreed to update wording to clarify and capture the change in ERSG approach.

ACTION – ESO to revise the ERSG Terms of Reference to capture the new endorsed approach

11:05 - The strategic context and ambition BP2 will operate in - Current challenges/ Strategy process so far/Horizon scan outputs – Hannah Kirk-Wilson, ESO

The presenter summarised the slides and asked whether any strategic themes were missing, leading to the following discussion points:

- The group discussed the number of themes captured and asked whether the ESO is trying to do too much, the ESO noted that they had used the method as a 'first filter' to identify each key theme. The ESO has then performed a deeper assessment under each theme to understand what is changing that may have an impact on activity, resource, organisational roles and structure, in order to determine what needs to be a priority aspect of the strategy.

- The group asked for more clarity on how the ESO would change as a result of the strategy and what priorities this would drive for BP2. The ESO confirmed that the strategy process is currently going through an internal process and as such aren't in a position to share the outputs. It is hoped more can be shared in subsequent ERSGs.
- The group discussed whether cost of living had been considered and the ESO, noting that they were already taking immediate action in this area, agreed to consider how that fits into the themes.
- A member noted that climate impacts, extreme weather events and adaptations seemed to be omitted. The group discussed the increasing impact of these events with increasing electrification, asking the ESO how they would assess the public's views on network risk.
- The group discussed the process and timeline of the strategy review, asking the ESO to highlight any immediate issues with a high sense of urgency, compared to elements requiring policy decisions that might take several years. This may be an example of where stakeholder asks may cause loss of focus on priorities.
- The group discussed the analysis underneath the high-level titles, noting that the ESO needed to determine how best to share the (summarised) information. The group discussed the need for a top-down approach to strategy in conjunction with the bottom-up approach presented. The ESO confirmed this was taking place.
- Addressing concerns from ERSG members on timings of the ESO strategy refresh and the development of BP2. The ESO confirmed that the strategy development work was quite a way along the process with an ESO board session the w/c 17 January. It was recognised by the ESO that more information provided as pre-read would have helped aid the strategy conversation.

ACTION – ESO to come back to the next meeting with a fuller view of strategy development and what it means for BP2.

11:50 - Stakeholder approach, Urmi Mistry, ESO

The presenter summarised and opened for questions, prompting the following feedback:

- The group discussed the need for proportionality in stakeholder engagement, and potential for bias in responses, noting that some stakeholders will have really insightful and valuable reflections, and it may not always be the ones who have or make the time to respond.
- They discussed the need to segment stakeholders based on their priorities and the hope that ESO has this information.
- The group discussed strategic secondments as an alternate method to get a fuller understanding of life in other industry organisations, noting the difference between engagement that meets the requirements of the regulator and engagement that provides what the ESO needs to be successful.
- The group agreed a sub-group wasn't needed. Members highlighted that the stakeholder approach taken by the ESO was extremely thorough, that BAU engagement throughout the business should be the key driver and valuable and that the ESO was good at transparent engagement. Instead of focusing on the stakeholder approach, ERSG wished to focus more on what customer and stakeholders were telling us and how we how we are taking this on board.

- A member flagged that the recent BP2 webinars that had been advertised do not constitute a thorough engagement approach. The ESO agreed with the reflection, highlighting that the webinars were not a form of co-creation but more of a 'check in' with stakeholders that may not have been engaged via BAU engagement or our specific engagement activities for new activities. As BP2 is a two-year update based on an original plan the majority of our engagement is via BAU means.
- The Chair highlighted that an action should be taken away to capture ERSG's decision and approach in this area.

ACTION – Future ERSG to be focused on the specific areas of feedback the ESO has heard and how we are reacting to this feedback.

ACTION – ESO to reflect on how strategic secondments into stakeholders such as DSOs could help build ESO capabilities to better understand customers and secondments.

ACTION – Andy Manning to capture the evolving approach in which the ERSG is scrutinising stakeholder engagement. Scrutiny will focus on what the ESO are doing with feedback received as opposed to the engagement process.

12:15 Consumer, Laura Parkes, ESO

The ESO confirmed that Simon Roberts should have invited to the consumer sub-group and that Simon had been omitted in error. Simon confirmed that there may be a conflict of interest that he wanted to flag but was keen to take part in future sub-group discussions.

ACTION – ESO to reach out to Simon Roberts to understand the conflict of interest and subject to those conflicts involve in future consumer sub-group discussions.

The presenter summarised and opened for comments, prompting the following discussion points:

- The group discussed the distribution of consumer capability and how that might change in the future, noting the need to characterise system changes and the impact that has on consumers. It was also noted that the services that will be required from consumers and the capabilities/equipment that will be needed for people to participate will change.
- A member questioned consumer appetite to participate, and in response a member noted the estimated savings from consumer DSR is £5bn p/a.
- The group asked for clarity as to what the ESO is trying to achieve through the consumer work, suggesting for consideration that perhaps their aims should include: how to unlock demand side potential to reduce the cost of a zero-carbon grid; and the impact of changing consumer demand and patterns on network planning, forecasting and scenarios.
- The Chair agreed to update the challenge log on consumer to include the request to seek clarity on the ESO's role and ambition in the consumer space.

CHALLENGE – ESO to clarify their role and ambition regarding consumers.

13:30 Early competition – Katharina Meehan & Hannah Kirk-Wilson, ESO

The presenter summarised and opened for comments, prompting the following discussion points (some of which were caveated with a reminder of inherent conflicts of interest):

- The ESO was also asked whether this was a mandated activity or discretionary. The ESO confirmed it was a bit of both, Ofgem had requested the ESO to work on the early development of early competition, going forward the ESO believe they are well placed to take these activities forward.
- A member raised whether the ESO is best placed to run the competitions. The group discussed that although there are other possible parties, the ESO is well placed at the centre of the industry, has synergies from being the contracting and payment body, and is without conflicts of interest. However
    o The party given the role of identifying what is to be competed needs to be independent
    o The party given the role of running the procurement needs to be independent
    o If NGESO is to be provided either of these roles, it will need to be suitably resourced and have the capability to deliver these without depending on support from others which may lead to conflicts of interest (like the TOs who may be participating in the competition as bidders). This capability growth should be considered in detail and included in BP2 as required.
- It was also clarified that the timing of the transition to FSO should not impede the progress of the introduction of EC.
- The group discussed the achievability of the proposed timelines, noting the outstanding policy decisions and the maturity of model remaining to be resolved, and how the backdrop will continue to change as the development timeline goes on, noting that a number of these enabling factors were owned by other parties/government. There were differing views from the group, some supportive of quicker implementation and ambition. Others questioning whether the timelines are unrealistic and whether necessary policy enablers will be implemented in time.
- The group discussed the difficulty of awarding connection offers to unknown applicants.
- A number of members noted their support for early competition and agreed that ESO should include it in BP2 and prepare over the next two-year period. The ESO noted that they believe they can drive value for end consumers through early competition but noted that perhaps some stakeholders would have other views on which party should deliver.

14:10 DSO transition, Andy Wainwright & Charon Balrey, ESO

The presenters summarised and opened for comments, prompting the following discussion points:

- The group discussed the varying ambition in the DNO business plans and asked the ESO about pace of transition. A member noted that pacing with the most ambitious plans may deliver highest benefit, and a member noted that the fastest plan is not always the most efficient in the long term.
- The group discussed visibility of DER and the need for open data on visibility, not just visibility to the ESO, as well as the need to deliver visibility in the most cost-effective way, for example using electric vehicle data from the DVLA.
- The group discussed timing, noting that for coordination to work, development of effective market mechanisms needs to happen before significant progress happens in multiple areas in parallel, and it becomes too late to coordinate market mechanisms.

- The group discussed the need to incorporate the changes in the way the Tx and Dx networks are being used in planning assumptions and assumptions about service provision, and how that impacts other decision making.
- Some members confirmed that the plans are supported and should be included in BP2.

14:50 – IT Ways of Working, Norma Dove-Edwin

The presenter summarised and opened for comments, prompting the following discussion points:

- The group were content with the presentation and supportive of the actions the ESO are taking forward to improve agile product delivery, especially the focus on a cultural change.
- A member noted the suggestion earlier in the meeting about seconding people into other organisations to see their world and ways of working first-hand. Helping build capabilities in house.

ACTION – ESO to follow up with Rachel Fletcher to understand wider capabilities and approach. ESO also to reflect on seconding employees into other tech companies to help learn and build ESO IT capabilities.

15:10 - BP 1 performance, Gareth Davies, ESO

The ESO highlighted that the latest BP1 performance report will be published on the 26 January and noting the vast amount of information published on our website, sought guidance on what level of detail the group would like to see.

- The group suggested that they would like to understand what the ESO is struggling to deliver in BP1 and may spill over or have implications for BP2. Perhaps including where the ESO is currently not meeting milestones, even if they expect to meet them by the end of the period.
- The group discussed using the internal management and reporting systems and filtering for what is relevant. The ESO confirmed that this was a useful steer and that a view of BP1 performance will be provided for discussion at the next meeting.

ACTION – ESO to bring BP1 performance information to the next ERSG focussed on current delayed milestones and the wider impact this may have on delivering to the BP1 plan.

15:20 - Finalising agenda, Andy Manning, Chair / Gareth Davies, ESO

The presenter opened for comments on the proposed schedule, prompting the following discussion points:

- A member asked whether the topic of new activities and material changes should be a standing agenda item, noting anticipated near term policy changes.
- The group discussed the timelines, noting the draft submission in April and that meetings are scheduled until March, seeking more information on the short, medium and long-term issues for the plan.
- The group discussed the need for a feedback loop to understand how feedback given in the deep dive sessions is taken into account and how resulting decisions are made.

ACTION – ESO to work with a chair to develop the agenda for the next meeting. The ESO should also focus on setting out meetings post March.

ACTION – ESO to include a list of new and material changed activities for the next meeting

15:25 - Reflections

The group and the ESO gave their closing reflections and closed the meeting.