

Meeting 4: Independent Stakeholder Group (ISG)

Thursday 12 September



Welcome & Meeting Agenda



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



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

Overview of key proposals for NESO's performance incentives for BP3

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 expectations	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	<p>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.</p> <p>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.</p> <p>Our proposals for Performance Measures for BP3 will largely be unchanged from BP2.</p>
Cost regulation		<p>No change to the cost assessment approach used for Day 1.</p> <p>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.</p>
Stakeholder and external scrutiny		<p>We propose to keep the same platforms for stakeholder scrutiny as at Day 1 (including the role of the NESO Performance Panel).</p> <p>We will review the approach to the end-of-scheme events to establish whether there are changes that can maximise engagement from BP2</p>

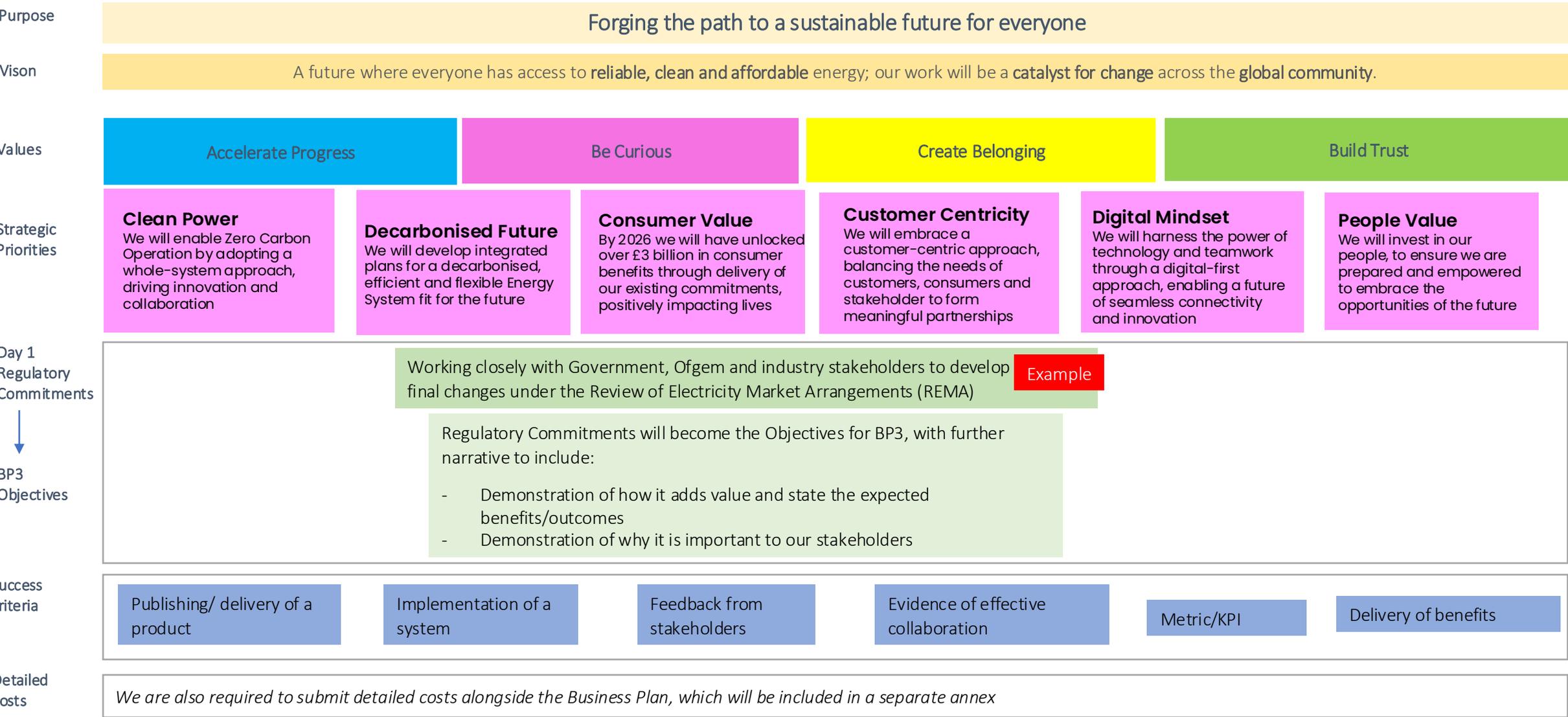
ESO Regulation Team Consultation Response Q&A Session



Approach to Business Plan



BP3 - building on Day 1 document



NESO day 1 launch document

BP3

Next Steps



AOB



Closed Session

