Electricity System Operator Forward Plan
Consultation Event

22 February 2018
WiFi codes
Name: etcvenues
Password: wifi8028
Welcome and Housekeeping

Charlotte Ramsay
Programme Director, Future of the System Operator
Housekeeping
## Agenda

<table>
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<th>Time</th>
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Join the debate

During the panel discussion there will be roving microphones

For other questions, please use Sli.do

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Continuing the Conversation

Fintan Slye
Director, UK System Operator
ESO regulatory framework 2018-2021: Latest update and the role of stakeholders

Philippa Pickford, Associate Partner, Ofgem

22/02/2018
Update on the new framework: where we are

Stakeholder responses:
- Overall support for proposed framework
- Call for more clarity in evaluation criteria
- View that ESO should only be rewarded for going beyond ‘baseline’ expectations
- Mixed views on maximum incentive reward/penalty
- Calls for more certainty in process to mitigate impact on BSUoS charge volatility

Stakeholders play a key role in our proposed new framework. The ESO’s draft Forward plan is a key part of this. We encourage stakeholders to be actively involved in shaping this plan.
Recap of new scheme

1) Establish ESO Forward Plan, deliverables and Performance Metrics

2) Monitor performance throughout the year

3) Final performance evaluation

4) Decision on financial payment / penalty (by Ofgem)

Panel: evaluates ESO performance for each principle, based on clear ex-ante criteria

Ofgem / Panel reviews ESO Plan to ensure it is comprehensive, challenging and reflective of stakeholder views

Panel: Mid year review to provide feedback to ESO

GEMA makes decision on financial payment/ penalty. For 2018/19 we propose a max cap/floor of ±£30m

This year

2019/20 onwards
What we want from stakeholders

This process relies on **stakeholder input** in the ESO Forward Plan consultation (*across all documents below*) to assess whether the Forward Plan is ambitious:

**Forward Plan**
- What are your views on the ESO’s long-term ambition?
- What are your views on the ESO’s strategic aims for each role?
- Is there anything missing in the Forward Plan?

**Delivery Schedule**
- What are your views on the ESO’s activities and deliverables for 2018/19?
- Is there anything missing in the Delivery Schedule?

**Technical Annex**
- What are your views on the range of metrics proposed? Are there any metrics missing that you think should be included to measure performance across each principle?
- Do you think the metrics are ambitious? Do you think the performance benchmarks are ambitious and stretching?
What happens next?

**Current stage**

- **ESO publishes draft Forward Plan** (End March)
- **Plan Review process** (Feb to March)
- **ESO publishes draft Forward Plan** (End March)
- **Ofgem ‘Formal Opinion’ by 30 April**

**How we will use your views on the ESO’s plan:**

- The ESO will take into account your views and produce a final plan.
- We’ll review the final plan against stakeholders’ views.
- This review will inform our ‘Formal Opinion’ on the ambition in the plan in April.
- It will also help shape evaluation throughout the year, including first MYR in October/November.

Performance Panel in place for first Mid Year Review in Oct/Nov 2018.
Introducing our Forward Plan

Charlotte Ramsay
Programme Director, Future of the System Operator
Your personal guide to the ESO Forward Plan
A long-term vision
How we are going to deliver
How we (and you) will know when we have delivered
An open invitation…
Join the debate

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Panel Discussion

How does the ESO best deliver against the Roles and Principles within the new regulatory structure?
Introducing our Panellists

- **Fintan Slye** – National Grid
- **Richard Hall** – Citizens Advice
- **Tim Rotheray** – The Association for Decentralised Energy
- **Laura Sandys** – Challenging Ideas
- **Nina Skorupska** – Renewable Energy Association
- **Nigel Turvey** – Western Power Distribution
- **Barbara Vest** – Energy UK
Breakout sessions

David Bowman
Regulatory Analyst
**Aim of the breakout sessions**

The breakout sessions are your opportunity to give feedback on each chapter of the Forward Plan.

**Structure**

- Hosts to spend 5 minutes on their vision for delivery against the Roles and Principles.
- 20 minute discussion:
  - What is important to you and why?
  - Is there anything we have not covered?
  - Are we being ambitious enough?
  - How do you want us to behave in these areas?
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<td>Mike Breslin Rob Rome</td>
<td>Expand 1</td>
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<tr>
<td>Facilitating competitive markets</td>
<td>Cathy McClay Richard Smith</td>
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<td>Julian Leslie Audrey Ramsay</td>
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<td>Group 4</td>
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Next Steps

Charlotte Ramsay
Programme Director, Future of the System Operator
Join the debate

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Thank you!

If you have any comments or questions on the ESO Forward Plan please send them to:

box.soincentives.electricity@nationalgrid.com
Appendix

Breakout session slides
Managing System Balance and Operability

Mike Breslin – Operate the System, Electricity
Rob Rome – Commercial Operations Manager
Managing system balancing and operability

**Principles 1 and 2**

**Principle 1:** Support market participants to make informed decisions by providing user friendly, comprehensive and accurate information

**Principle 2:** Drive overall efficiency and transparency in balancing services, taking into account impacts of ESO actions across time horizons

**Principle 3:** Ensure the rules and processes for procuring balancing services, maximise competition where possible and are simple, fair and transparent

**Principle 4:** Promote competition in the wholesale and capacity markets

**Principle 5:** Coordinate across system boundaries to deliver efficient network planning and development

**Principle 6:** Coordinate effectively to ensure efficient whole system operation and optimal use of resources

**Principle 7:** Facilitate timely, efficient and competitive network investments
## Principle 1: Support market participants to make informed decisions by providing user friendly, comprehensive and accurate information

<table>
<thead>
<tr>
<th>Stakeholders have told us:</th>
<th>Delivering consumer value through:</th>
<th>Action we will take to deliver:</th>
<th>How our performance will be measured:</th>
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<tr>
<td>Customers want enhanced <strong>demand and wind generation forecasts</strong> to allow better self balancing of positions…</td>
<td>.. fewer balancing actions by the ESO and less consumer money spent</td>
<td>Improved forecasting processes and models, source new data, adopt new systems and technologies</td>
<td>Day Ahead Transmission demand and wind generation forecast accuracy</td>
</tr>
<tr>
<td>Granular day ahead half hourly <strong>BSUoS forecasts</strong> help participants to make better informed decisions…</td>
<td>…reducing participants need to include risk premia in their BM prices that are ultimately paid for by consumers</td>
<td>Develop a new model &amp; methodology for day ahead BSUoS forecasts and design new BSUoS scenarios</td>
<td>Percentage of BSUoS half-hourly forecast published at day-ahead</td>
</tr>
<tr>
<td>Helping them to better understand our <strong>balancing services procurement decisions</strong> will lead to greater confidence in the market…</td>
<td>… reducing the cost of balancing through increased market participation and liquidity</td>
<td>Publication of Ancillary Services/ Balancing Services tender assessment decisions to a published schedule</td>
<td>Percentage of FFR, Fast Reserve and STOR tender results published on time and right first time</td>
</tr>
<tr>
<td>Timely publication of <strong>information about ESO trades</strong> will reduce delay and risk in their decision making…</td>
<td>…resulting in lower risk premia in the market and lower costs to consumers</td>
<td>Newly developed process using new software to greatly increase the publication of trades data</td>
<td>Percentage of all trades data published within one hour of capture</td>
</tr>
<tr>
<td>Providing <strong>forecast of GB electricity carbon intensity</strong> allows consumers adopt more environmentally friendly power consumption</td>
<td>…supporting development of variable pricing strategies that will enable decarbonisation of GB power supply at lowest cost</td>
<td>Build on current process to publish regional carbon intensity data</td>
<td>All actions on regional carbon intensity delivered in 18/19 and Stakeholder feedback satisfaction measure</td>
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**Principle 2: Drive overall efficiency and transparency in balancing, taking into account impacts of its action across time horizons**

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<td>To go beyond economic and efficient in our <strong>management of balancing spend</strong>. Bring new levels of transparency and consider our impact across a variety of timescales...</td>
<td>...efficient balancing spend passed onto consumers via lower BSUoS charge ...better helping our customers manage their positions reducing overall need for ESO balancing actions and costs</td>
<td>Innovation in activities to provide cost efficiency including delivery of new systems and review of Electricity Network Control Centre processes and systems</td>
<td>Balancing cost management – outturn spend within published benchmark range</td>
</tr>
</tbody>
</table>
Facilitating competitive markets

Cathy McClay - Head of Commercial, Electricity
Richard Smith - Head of Market Change, Electricity
Facilitating competitive markets

Principles 3 and 4

**Principle 1:** Support market participants to make informed decisions by providing user friendly, comprehensive and accurate information

**Principle 2:** Drive overall efficiency and transparency in balancing services, taking into account impacts of ESO actions across time horizons

**Principle 3:** Ensure the rules and processes for procuring balancing services, maximise competition where possible and are simple, fair and transparent

**Principle 4:** Promote competition in the wholesale and capacity markets

**Principle 5:** Coordinate across system boundaries to deliver efficient network planning and development

**Principle 6:** Coordinate effectively to ensure efficient whole system operation and optimal use of resources

**Principle 7:** Facilitate timely, efficient and competitive network investments
**Principle 3:** Ensure the rules and processes for procuring balancing services maximise competition where possible and are simple, fair and transparent.

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<td>Balancing and ancillary services markets need to be <strong>simpler and more accessible</strong> to a broader range of stakeholders…</td>
<td>…more accessible markets open to all providers will increase liquidity and drive down costs</td>
<td>Deliver reform of the balancing services markets through rationalisation and simplification and by working with parties to develop new markets</td>
<td>Progress against commitments made in Future Balancing Services Roadmap and Stakeholder satisfaction measure</td>
</tr>
<tr>
<td><strong>Help new providers</strong> to understand our business and navigate the processes which will qualify them to offer us services…</td>
<td>…increasing numbers of parties able to participate in markets will increase liquidity and deliver more competition which reduces cost to consumers</td>
<td>Provide enhanced facilitation to new providers (generally those who do not participate in the balancing mechanism) to progress through the on-boarding process</td>
<td>Stakeholder satisfaction measure and progress through “on-boarding” process from October 2018</td>
</tr>
<tr>
<td><strong>To open fair competitive market based procurement methods</strong> wherever possible to all participants…</td>
<td>…reduced barriers to entry will see greater participation resulting in increasing liquidity of the markets which will lower costs of balancing.</td>
<td>The ESO will move away from bilateral procurement activities to competitive market based procurement methods wherever possible</td>
<td>Increase in the number of tenders/bids from individual units received for Frequency Response and Reserve</td>
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**Principle 4: Promote competition in the wholesale and capacity markets**

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<td>Customers have told us that BSUoS bills are at the core of managing their profitability. Accurate and on time BSUoS bills increase customers clarity on their financial position which allows participation in wholesale and capacity markets…</td>
<td>…reducing their need to include risk premia (to cover uncertainty) in their BM prices that are ultimately paid for by consumers</td>
<td>Dedicated resources to implement and support improvements and billing query resolution.</td>
<td>BSUoS Bill query response and resolution time</td>
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<td>As code administrator for CUSC, Grid Code and STC, customers want to see our customer service improve-transparent, accessible and more efficient…</td>
<td>…increasing engagement with the codes change process, especially for smaller customers removes barriers to effective code change improving quality and timeliness of industry change in the interests of consumers</td>
<td>Delivery of actions to improve efficiency, transparency, accessibility and customer service</td>
<td>Customer Satisfaction Survey on Code Administrator Performance</td>
</tr>
<tr>
<td>Better coordination of access and charging reforms is required so that all parties regardless of size or type can contribute to change…</td>
<td>…reduced barriers to entry for new parties allows markets to expand. This drives more competition, enhanced service provisions and ultimately reduced consumer charges</td>
<td>Delivery of the Charging Futures program (including hosting forums and developing and maintaining the charging futures web portal) will help network users plan and prioritise their involvement and contribution towards network charging and access reform.</td>
<td>Charging Futures Stakeholder Satisfaction measure including diversity, gross participation and Net Promoter Score</td>
</tr>
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Facilitating whole system outcomes

Julian Leslie – Head of Network Capability, Electricity
Audrey Ramsay – Commercial Operations Strategy Manager
Facilitating whole system outcomes

**Principles 5 and 6**

**Principle 1:** Support market participants to make informed decisions by providing user-friendly, comprehensive and accurate information.

**Principle 2:** Drive overall efficiency and transparency in balancing services, taking into account impacts of ESO actions across time horizons.

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**Principle 6:** Coordinate effectively to ensure efficient whole system operation and optimal use of resources.

**Principle 7:** Facilitate timely, efficient and competitive network investments.

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<td>We need to encourage non-transmission parties to suggest solutions to transmission system needs…</td>
<td>.. successful solutions should drive lower network costs, balancing costs or both</td>
<td>Run three Regional Development Plans (RDPs) with DNOs to identify non-transmission solutions Develop Network Options Assessment (NOA) process to identify and evaluate distribution led investments and non-network solutions to transmission needs</td>
<td>Number of non-transmission solutions achieved</td>
</tr>
<tr>
<td>We need to collaborate with Distribution network partners to manage transmission and distribution constraints and release capacity for new connections on the distribution networks…</td>
<td>…DER (Distributed Energy Resources) developers will gain access to the South-East coast distribution network enhancing liquidity of markets …development of innovative balancing services contracts with Distribution connected parties supports system security and potentially drives down balancing costs</td>
<td>Develop new processes and types of contracts to enable connections</td>
<td>New capacity at distribution level as a result of UKPN/ESO RDP collaboration on South-East coast network</td>
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### Principle 6: Coordinate effectively to ensure efficient whole system operation and optimal use of resources

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<td>Customers have told us that <strong>balancing costs</strong> are at the core of managing their profitability</td>
<td>… enhanced risk management and more efficient delivery of system operability through longer term planning and enhanced operability modelling capability can lead to reduction in balancing costs</td>
<td>Use existing and new modelling coupled with power system analysis to identify capability now and in the period to 2030, gap analysis and solutions optineering including new market based and whole system solutions</td>
<td>Delivery of a new output: Six monthly Operability Reports and stakeholder satisfaction feedback on this output</td>
</tr>
<tr>
<td>We need to improve our network access planning processes to <strong>minimise within-day cancellation</strong> of the established network access plans…</td>
<td>.. saving money on cancelled asset maintenance and connection plans reducing the overall cost of network management</td>
<td>Investigate reasons for cancellations and put in place mitigations to prevent any repeat Scoping and ITT for new Transmission Owner Availability System (TOGA)</td>
<td>Number of planned outages that are cancelled within day due to process failure</td>
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<td>We need to <strong>minimise late notice actions</strong> in the balancing mechanism to facilitate networks access…</td>
<td>.. reduction in balancing spend due to reduction in use of Bid Offer Acceptance (BOA) process resulting from lack of updated connections agreements</td>
<td>Enhance collaboration between the ESO and the relevant TO to improve timeliness of connections contract</td>
<td>Percentage of connections agreements updated within 9 months of notification</td>
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Supporting competition in networks

Alice Etheridge - Network Development Strategy Manager
Nick Harvey - Network Development Manager
Supporting competition in networks

Principle 7

Principle 1: Support market participants to make informed decisions by providing user friendly, comprehensive and accurate information.

Principle 2: Drive overall efficiency and transparency in balancing services, taking into account impacts of ESO actions across time horizons.

Principle 3: Ensure the rules and processes for procuring balancing services, maximise competition where possible and are simple, fair and transparent.

Principle 4: Promote competition in the wholesale and capacity markets.

Principle 5: Coordinate across system boundaries to deliver efficient network planning and development.

Principle 6: Coordinate effectively to ensure efficient whole system operation and optimal use of resources.

Principle 7: Facilitate timely, efficient and competitive network investments.
## Principle 7: Facilitate timely, efficient and competitive network investments

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<td>We need to consider a <strong>wide range of potential solutions</strong> and approaches to delivery to meet transmission system needs…</td>
<td>…reduced costs of delivering increased network capability through consideration of a variety of options available, not just transmission build</td>
<td>Increase scope of Network Options Assessment methodology (NOA) to include non-network solutions to transmission needs</td>
<td>Consumer value for alternative options against traditional build options</td>
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They want to **engage in the process for offering solutions to meet transmission needs** and that we need to make the process as accessible as possible…

.. increased stakeholder participation in the NOA will increase competition for delivery of solutions to meet transmission needs at lower cost

Publication of NOA roadmap to show direction of travel to allow more stakeholders to engage in NOA process

Measurement of effectiveness of ESO’s engagement on the development of the NOA