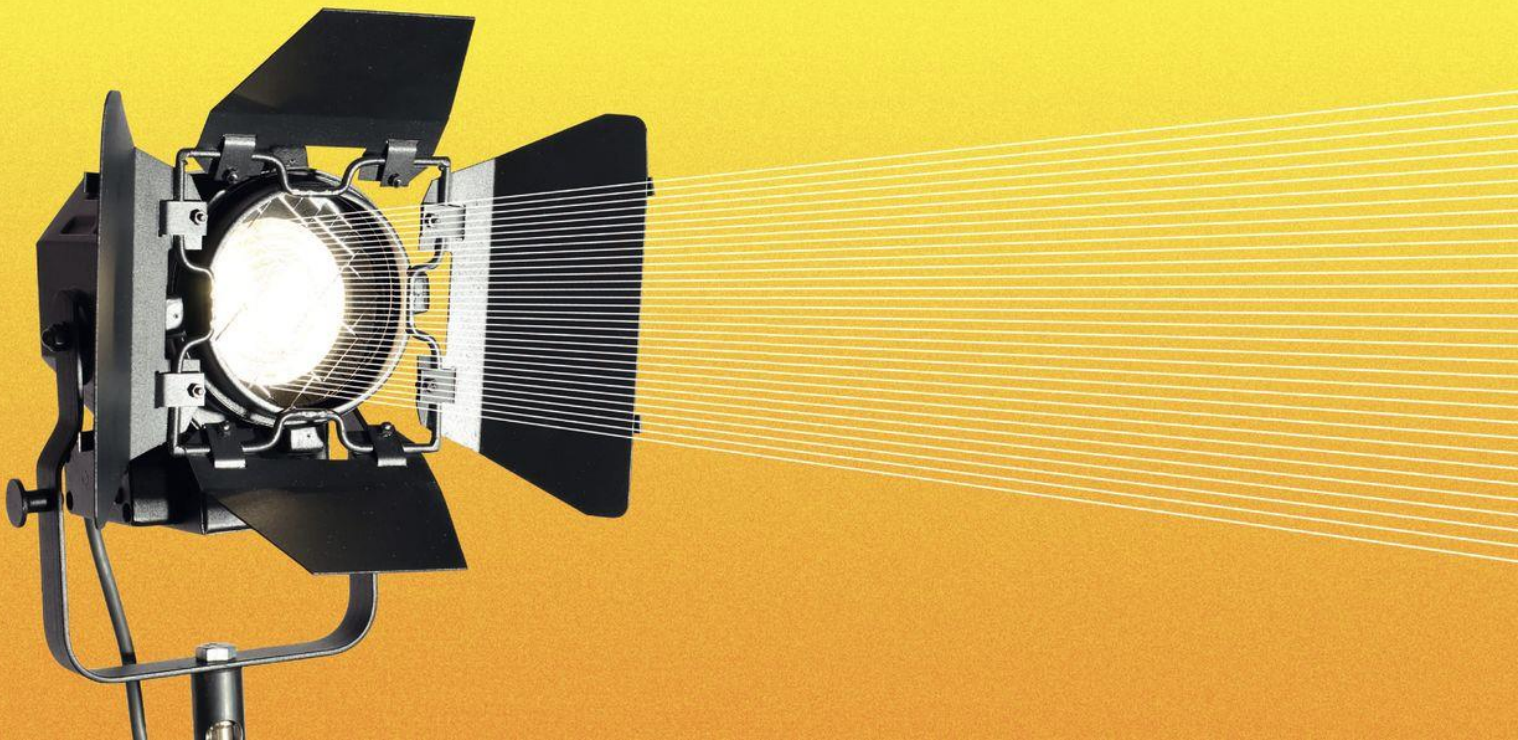


Electricity System Operator RIIO-2 Ambition

Outputs from our Stakeholder Workshop

April 2019



Foreword

As the Electricity System Operator (ESO) we want to understand how we can work together with the industry to achieve our ambition of delivering the best value to energy consumers now and into the future. We are currently developing our RIIO-2 business plan and it is vital that we listen to stakeholder views to help inform our decisions.

On the 11th April we held a workshop to engage stakeholders on our ambition for RIIO-2 and the activities and outputs we are proposing to deliver in order to achieve this ambition. This document is intended to provide a summary of the key takeaways we took from each of the round tables. The topics on the day, and in this document, are divided in to seven principle areas:

- **Participation in smart and sustainable markets**
- **Unlocking consumer value through competition in networks**
- **Innovation funding and strategy**
- **Charging, Codes and EMR**
- **System operation and data transparency**
- **Whole system operability**
- **Connections and outage planning**

We would like to thank stakeholders for your ongoing support in our work to develop a robust business plan for RIIO-2 that will transform how we facilitate networks and markets to drive value for consumers.

System operation and data transparency

What we heard:

You told us that decarbonisation is very important to you and that you support the ESO having a role in facilitating the energy transition. However, you also noted that markets and contracts also need to adapt if we want to fully achieve our decarbonisation ambitions. You want us to be clearer in our messaging about our ambition to operate a carbon free system, and be clear as to whether this means we will stop being a technology neutral business.

You want us to prioritise control room transparency. If market participants understand how we make decisions, they will be able to access the market. You told us that data is essential to participation in efficient markets as well as supporting investment decisions and that we need to be sharing as much data as possible as soon as possible. We proposed different capability options for a data portal to support this requirement. You told us that our urgent priority should be to focus on getting the data out but that we also should be providing some level of insight and analysis to aid understanding of the data. In the longer term, you would also like us to provide more advanced analysis and support enhanced functionality such as multi-platform interaction.

Participation in smart and sustainable markets

What we heard:

You told us that you strongly support our proposal for the market portal we are looking to set up, and its proposed functionality. You want the ESO to design a system that would enable market participants to register their assets, and provide notifications for which markets each asset is eligible to compete in. You also supported the idea that the portal would be able to tell you if you have already committed to offer another ESO service, or even a service in another market, such as a DSO market.

You told us that you agree that there needs to be a reform of the wholesale and balancing markets. Whilst there was a range of opinion, a significant majority thought that the ESO was the best placed party to lead this. You think that the reform of the wholesale market needs to be aligned with the long-term future of the capacity market, as well as other industry transformations such as the charging review and code reform.

Charging, Codes and Electricity Market Reform (EMR)

What we heard:

You told us you generally support our ambitious approach for charging, codes and EMR, but you do think that there is a risk of us being too ambitious without clear detail on how we plan to deliver. You want us to focus on getting the fundamentals right first time before we move onto focussing on more strategic activities.

You had mixed views on our role within EMR. Some of you support our role, and some of you see our role as more administrative, believing the strategic approach is a matter for the Department for Business, Energy and Industrial Strategy (BEIS).

Whole system operability

What we heard:

You told us that open data for all will deliver the most innovation and consumer value, and that investors and technology companies need consistent data from different network companies to give value to their propositions. You told us you could see there being value in seeing transmission, distribution and ESO data in the same format and timescales.

You told us that the ESO and DNOs have complimentary capabilities, which creates a good basis for a future partnership. You told us that we should be looking to use the two-year period between RII0-2 and ED2 to test ways of working between the ESO and DNOs, and that we should be starting now to work out where challenges and conflicts may arise, with a view to solving them before the start of ED2. You told us that we can help DNOs by defining what is different about being a DSO and what capabilities are required.

You told us that you think the SQSS is no longer for purpose and needs a review, and that we should be investing effort to help parties that will be affected by any changes but don't necessarily have the capability to work it out for themselves.

You told us that by making more data available and transparent it may facilitate the right 'world' to emerge. Having fair and consistent rules for selling services to all buyers will also help drive efficiency. You told us that you strongly support our ambition to be able to operate a carbon free system. However, we need to avoid baking in very expensive-sub optimal solutions in a rush to reach our target. We need to consider the long and short-term consumer value.

You told us that you would like us to be able to share the outputs of the Regional Development Programmes (RDPs), although it was recognised that it will be challenging to apply learning from RDPs as there are always going to be regional differences.

Connections and outage planning

What we heard:

You told us that you support our connections proposals as you welcome further information provision and streamlining of the current connections process. You also liked the idea that information for the wider industry could be accessible in a single place. You supported giving Distribution Network Owners (DNOs) greater visibility of the capacity available through the Appendix G process.

You told us there could be benefit in greater collaboration across transmission and distribution on the impact of outage plans, but that we should work further with DNOs as to how this could work in practice. You think it would be useful for the ESO to provide more data on the extent of costs that are generated by

system access and an insight as to whether it is going to get more or less challenging in the future. You also told us that there could be merit in having targeted incentives on parties to reduce costs to consumers, but that we need to avoid unintended consequences and behaviours, and retain a certain amount of flexibility in outage planning.

Unlocking consumer value through competition in networks

What we heard:

You supported competition being embedded in network planning. You also said you supported the ESO in expanding its network planning approach to a wider set of transmission network needs. However, you want us to be careful of the impact our approach could have on the energy market. You told us you were supportive of the ESO having a role in providing support and a consistent analytical approach to network planning at lower voltage levels. You also agreed that there needs to be a review of the Security and Quality of Supply Standards (SSQS).

You told us that for onshore competition you generally preferred the early model due to the greater potential for innovation and cost savings for consumers. However, you did see the merit in the late model and the argument for keeping different options available. You told us that the appropriate model should be used depending on the circumstances. You told us that there are a range of different industry bodies who could carry out the tender process for onshore competition. You highlighted that if the ESO were responsible we would be likely to consider the benefits to the system and the more technical considerations, but you were aware that we may not have the appropriate resource and capability post-legal separation. You were also concerned that we may not be sufficiently independent from National Grid Electricity Transmission (NGET).

Innovation funding and strategy

What we heard:

You told us that you support continuing with the current proposal for innovation funding. You questioned as to whether the ESO's innovation funding should be paid for through Balancing Services Use of Services (BSUoS) charges, but you think that it is Ofgem's responsibility to decide how the ESO is funded for innovation. You think that non-traditional players should have access to innovation funding in order to bring challenge to the current players.

You told us that across the industry there is so much information to read it is hard to keep up, and that it would be valuable if there was a coordinated innovation platform that provides stakeholders with a simplified view of projects. You told us that you want a clear view of the innovation process so that you can understand how you can get involved. You want us to break down the barriers and improve our communication through having more conversations. You want us to engage more on our innovation, and join industry events and forums to drive more collaboration on solving known problems.