

The NOA Committee terms of reference

Version 9.0 - draft

May 2020

Background

The Network Options Assessment (NOA) is an annual process National Grid Electricity System Operator (NGESO) undertakes as a transmission licensee, under Standard Licence Condition C27. The NOA assesses reinforcement options for the development of the national electricity transmission system and interconnector capacity. The process is designed to facilitate the development of an efficient, co-ordinated and economical system of electricity transmission. Currently the annual NOA focuses on the assessment of options for bulk power transfer only.

The NOA process is defined by the NOA methodology which is reviewed by the ESO on an annual basis. Since 2017, the ESO has included the NOA Committee in the NOA methodology as a layer to the NOA governance structure. This arose from a review of the NOA process the ESO undertook in response to Ofgem's concerns over the robustness of the scenario based single year least regret approach the ESO adopted in its economic analysis. This approach can lead to 'false-positive' investment recommendations, notably in instances where investments are unreasonably driven by a single scenario. One of the solutions to mitigate this was the introduction of a NOA Committee.

The NOA Committee is to provide additional, transparent and robust scrutiny to the NOA results before the ESO produces its final investment recommendations. The NOA Committee brings expertise from across the ESO, including knowledge on operability challenges, network capability development, commercial operations and insight into future energy landscapes. Attention is to be focused on options where recommendations, are driven by a single scenario or driver, or are considered sensitive. This is to ensure that investment recommendations are in the best interests of existing and future consumers.

Membership

NOA Committee members

The NOA Committee consists of ESO senior management from the following areas:

Head of SO Strategy and Regulation (Craig Dyke)

Chair of the NOA Committee

Head of National Control, ESO (Roisin Quinn)

To provide insight into the near-term operability needs of the network

Head of Markets, ESO (Kayte O'Neill)

To provide a view of the future operability of the network including constraint management

Head of Networks, ESO (Julian Leslie)

Ultimately responsible for the NOA recommendations

Energy Analysis Senior Manager (Lauren Moody)

To provide insight on the scenarios and how they may influence recommendations

The NOA Committee also includes support from the attendance of the **Network Development manager** (Nicholas Harvey) to ensure working level messaging is communicated to the senior management; and the **Electricity Customer Connections manager** (James Greenhalgh) to provide useful insight from customers' positions. The ESO will allow delegation of authority if necessary and supporting members to participate in discussions.

Technical Secretary

The Chair shall appoint a Technical Secretary of the committee. The appointment may be changed with notice to the committee. The Technical Secretary shall be a non-voting member of the committee. The Technical Secretary shall make all materials available to committee members. The Technical Secretary shall receive notices of absence and shall be responsible for producing the meeting minutes and keeping track of any actions.

Other Participants

Ofgem

The ESO welcomes Ofgem to attend the NOA Committee meetings. The ESO will brief relevant teams from Ofgem in advance, as necessary. The aim is to demonstrate transparency and for Ofgem to gain enhanced confidence in the NOA recommendations.

TOs

The TOs are invited to present information if at least one of their options (or joint options) is 'marginal' or 'sensitive' and on the agenda of the NOA Committee. Marginal options will be identified in advance by the ESO as being driven by a single scenario or factor. In addition, the TOs or ESO may identify options which are sensitive in terms of stakeholder engagement. The ESO will include these options in the agenda of the NOA Committee.

During the Committee:

- The TOs can provide additional information about the option
- The TOs can work with the ESO to build key messages around the future of options
- The TOs cannot change the inputs provided to the cost-benefit analysis

Scope

The aim of the NOA Committee is for senior ESO management to discuss and scrutinise the economic analysis results. Whilst all NOA recommendations will be sent to the Committee for endorsement, the focus is on the marginal and sensitive options defined above.

The scope of proceedings includes the following areas:

- Challenge economic analysis results where recommendations are being driven unreasonably by a single scenario or if there are other factors which would impact the economic analysis results, for example changes to customer contracts.
- Help build key messaging around NOA recommendations for sensitive options raised by the TOs.
- Provide recommendations on marginal and sensitive options, including a detailed explanation of the supporting evidence for the recommendation.
- Suggest modification or further clarification of options to better fit needs for the following year.
- Endorse non-marginal NOA recommendations.
- Acknowledge any SWW options being triggered.

The ESO will carry out sufficient validation of the economic analysis input data and results prior to the NOA Committee meeting. The ESO will adhere to the latest NOA methodology which is reviewed on an annual basis and the economic network modelling (BID3) to be used in the analysis was successfully benchmarked and audited by external academics. Therefore, it shouldn't be the priority for the Committee to:

- Overturn recommendations for options driven by multiple scenarios/factors
- Question the validity of the economic analysis process and its inputs
- Request that economic analysis is re-done
- Update or modify any inputs to the economic analysis, including TO data.

Output

The output of the NOA Committee meetings includes:

- Endorsement of non-marginal NOA recommendations
- Final set of decisions on marginal and sensitive NOA recommendations
- Development of key messaging for the NOA publication
- Confidence that the recommendations are in-line with the holistic needs of the network and are in the best interests of existing and future consumers

Input

To ensure the Committee can deliver on the above objectives, the following will be provided:

- An overview of the Future Energy Scenarios (FES) and how these have changed from the previous year
- An overview of the system requirements
- An overview of the options submitted for assessment
- Options driven/delayed by a single driver
- Options whose recommendation has changed from last year
- Options that are highly sensitive to stakeholders
- Options the TOs wish the Committee to discuss further
- Detailed information about each marginal option and its performance in the economic analysis
- The consequences and risks of delaying or proceeding marginal options, including the scenario probabilities implied by the recommendation
- Identification of NOA options that also serve as enabling works of connection projects
- Identification of next steps for SWW
- Other evidence requested by the NOA Committee including sensitivity analysis (e.g. reduced-build options not considered in the main analysis)

In preparation for the NOA Committee meeting, the ESO will work with internal stakeholders and the TOs to ensure the data and results to be presented are accurate.

Meetings

It is envisaged that the NOA Committee may meet up to four times each NOA cycle. The first two meetings, scheduled in late Spring and mid Autumn are prior to commencing the economic analysis. These two initial meetings will allow the NOA Committee to have a better understanding of the background of the analysis. The meeting in late Spring focuses on the latest development on the Future Energy Scenarios (FES). In this meeting, relevant ESO teams will provide a comprehensive update on FES demand and generation assumptions to be published and their possible influences on the upcoming NOA in the same year. The meeting in mid Autumn focuses on the system requirements from assessing the latest FES in the Electricity Ten Year Statement (ETYS) process and reinforcements submitted for meeting those requirements. The NOA Committee can also advise or request, in those two meetings, certain aspects to be investigated in the economic analysis or evidence to be presented in the later meeting(s) to support the main discussion on the results.

Once the main economic analysis is completed, available results, with supporting evidence, will be presented at the third Committee meeting scheduled in December. The third Committee meeting should cover all major aspects of the NOA Committee objectives.

The fourth NOA Committee meeting shall be convened if there are questions arising from the third meeting which resulted in a deferral to the decision on an option's investment recommendation. In this instance the NOA Committee shall provide its final endorsement of the NOA recommendations, including key messaging, at the fourth meeting.

Formal minutes of the NOA Committee meetings shall be taken and agreed by the Committee. The meeting minutes will be published on our website along with the NOA report.

Conflicts and Business Separation

Prior to the committee meeting the Chair and Technical Secretary shall consider whether the agenda will create any conflicts of interest or business separation issues. The Chair and/or Technical Secretary may seek advice from the Business Separation Compliance Officer. In the event a conflict of interest or business separation issue is identified then this will be noted on the agenda and the Chair and Technical Secretary will consider the best way of conducting the meeting so no conflict of interest or business separation issue arises.

In addition to the pre-meeting check, at the beginning of each meeting the Chair shall ascertain with the assistance of committee members the existence of any conflicts of interest or business separation issues. Any identified instances shall be recorded in the Minutes and the relevant agenda item will be

removed from the agenda or the relevant individuals asked to leave the meeting for the duration of the relevant agenda item. In such cases the agenda item shall be the subject of a separate Minutes and shall not be circulated to the individual(s) who were asked to leave the meeting.

Proxies to Meetings

If a regular member is unable to act due to absence, illness or any other cause, the member may appoint one of his or her direct reports to serve as a temporary alternate member to act on his or her behalf as necessary. Any appointments of an alternate member for a period longer than 6 months in duration must be approved by the committee. Any designate shall be granted appropriate delegated authority.

Quorum Requirements

A minimum of 4 out of 5 named committee members is required for the meeting to be recognised as an authorised meeting for any recommendations or resolutions to be valid.

Authority

A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee. In case of a split vote, the Chair shall have the casting vote.

Version Control

Version number	Date of Issue	Changelog
1.0	13/12/2017	First Issue
2.0	27/04/2018	<ul style="list-style-type: none"> Background – Amendments: References to the 2017/18 NOA Methodology. Membership – Amendments: Customer Connection Manager. Input – Addition: Overview of FES, system requirements, options and other evidence requested by the NOA Committee. Meetings – Amendments: Additional meeting schedules and purposes.
3.0	24/09/2018	<ul style="list-style-type: none"> Background – Amendments: References to the 2017/18 NOA Methodology. Membership – Amendments: Updated with the latest ESO leadership.
4.0	30/10/2018	<ul style="list-style-type: none"> Membership – Amendments: Updated with the latest ESO leadership.
5.0	26/04/2019	<ul style="list-style-type: none"> Whole document – ESO template update. Whole document – Amendments: SO to ESO. Background – Amendments: Reference to licence condition C27. Membership – Amendments: Updated with the latest ESO leadership.
6.0	05/09/2019	<ul style="list-style-type: none"> Membership – Amendments: Updated with the latest ESO leadership.
7.0	03/12/2019	<ul style="list-style-type: none"> Membership – Amendments: Updated with the latest ESO leadership.
8.0	30/03/2020	<ul style="list-style-type: none"> Membership – Amendments: Updated with the latest ESO leadership.
9.0	19/05/2020	<ul style="list-style-type: none"> Meetings – Amendments: Clarifications on Spring and Autumn meetings.