

Early Competition Plan

Phase 3 Consultation: Chapter 1, Developing the ECP

December 2020



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1 Developing the Early Competition Plan

What is the aim of the Early Competition Plan?

The future of energy is evolving. Consumers are looking for a cleaner transmission network, greener generation and transportation of energy. Energy transmission must be affordable and reliable. Early competition could be the key to unlocking innovation to provide alternative solutions to network needs, through balancing system needs against cost to ensure the right solutions are selected, whilst keeping the consumer and security of supply at the forefront. Early competition could also break down barriers by encouraging new solutions from both network and non-network providers¹.

In the [RIIO-2 Sector Specific Methodology Document](#) published in 2019 Ofgem, recognising there is benefit in unlocking competition, asked the Electricity System Operator ("ESO") to investigate early competition alongside the RIIO-2 Business Plan. This is directly related to their priority of driving efficiency through innovation and competition.

What is our approach to developing the Early Competition Plan?

The ESO and Ofgem are keen to ensure a stakeholder centric approach is used in developing the model. We recognise the need for expertise of stakeholders from a variety of industry groups to ensure we are focusing on the right areas, removing barriers to entry and ensuring current and potential participants have a voice in helping to co-create the model.

To enable our stakeholders to get involved, we committed to being as transparent as possible throughout each stage of the development of our Early Competition Plan. We conducted face-to-face and virtual events to seek your feedback, in addition to releasing publications to keep you up to date with our developments along the way.

"I applaud the new-found openness of ESO to outside (and alternative) opinions since the split from TSO. Well done, keep it up!"

¹ For more information about early competition please see our detailed guide www.nationalgrideso.com/document/173156/download

We have three clear aims to stakeholder engagement as set out in Figure 1.

Figure 1: Aims to stakeholder engagement

<h1 style="font-size: 48px; margin: 0;">1</h1> <p style="margin: 0;">Co-creating Proposals</p> <ul style="list-style-type: none"> • Understand who our stakeholders are • Who may bid into Early Competition • What stakeholders need and what their barriers to entry may be • Ensuring the needs of potential bidders are balanced against the needs of customers 	<h1 style="font-size: 48px; margin: 0;">2</h1> <p style="margin: 0;">Transparency</p> <ul style="list-style-type: none"> • Ensuring interested parties feel the proposals are fair, transparent and appropriate • Creating an independent stakeholder group (ESO Networks Stakeholder Group) to ensure stakeholders are at the forefront of the project 	<h1 style="font-size: 48px; margin: 0;">3</h1> <p style="margin: 0;">Awareness</p> <ul style="list-style-type: none"> • Ensuring the wider industry and potential stakeholders are aware of Early Competition through updates to our website, newsletters and workshops
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We have also set up the ESO Networks Stakeholder Group ("ENSG") which are a team of industry experts led by Dame Fiona Woolf. Their role is to scrutinise our Early Competition Plan and appraise our stakeholder engagement. Further details of how stakeholders have shaped the model can be found in each chapter.

How we have engaged

Figure 2: How we have engaged with stakeholders

Face to Face and Virtual Engagement	<p>What we have done to date:</p> <ul style="list-style-type: none"> 55 workshops 2 webinars 10 Industry Events Around 45 Bi-lateral Meetings 	<p>Who we have reached:</p> <p>Engagement with over 75 individuals from over 40 organisations</p>
ESO Networks Stakeholder Group	<p>What we have done to date:</p> <p>5 meetings, presenting data on the ask from Ofgem, Phase 1, 2 and 3 Consultation documents and Roles thought paper</p>	<p>Who we have reached:</p> <p>15 representatives from impacted stakeholder groups</p>
Published Communications	<p>What we have done to date:</p> <ul style="list-style-type: none"> 4 Podcasts 14 Newsletters 1 thought paper 1 Phase 1 Update 1 Consultation (Phase 2) 	<p>Who we have reached:</p> <p>Around 250 stakeholders signed up to newsletters</p> <p>76 have listened to our podcasts</p>

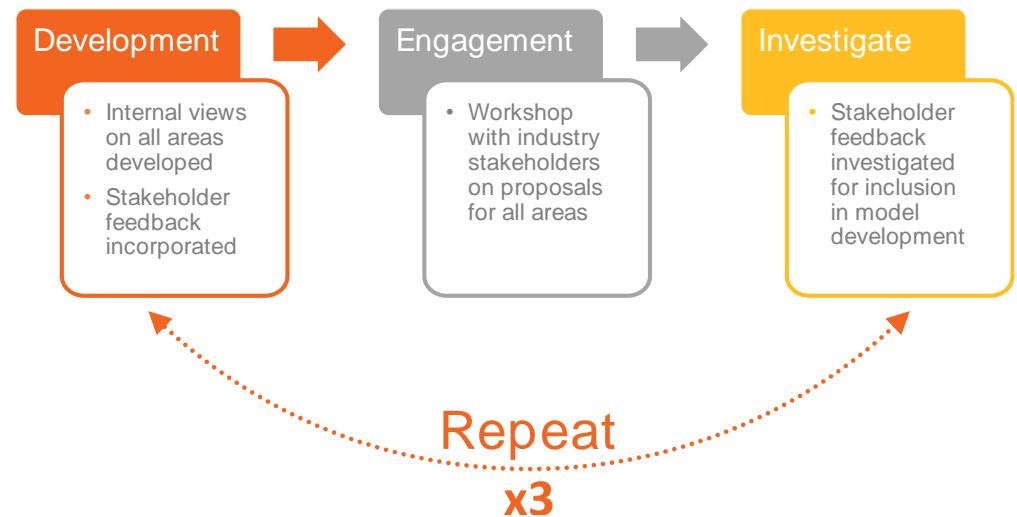
2 How did stakeholder feedback inform our plans?

Our Phase 3 consultation has been created with the inputs from stakeholders. Where we have been able or unable to incorporate stakeholders views into the model we have explained our logic and how we have acted upon feedback.

Following the restrictions due to COVID-19 our usual engagement routes with stakeholders has had to adapt. We would have preferred to build relationships and engage with our stakeholders face to face, but with the country being asked to restrict movements and work from home where possible we have needed to use different ways to connect. We have engaged through newsletters, our website, workshops, bi-lateral meetings, podcasts and webinars. Where this has involved group engagement, we have asked for feedback to ensure we continuously improve the sessions.

Our approach to co-creation has evolved throughout the process in order to ensure we are effectively engaging with our stakeholders. For Phase 1, in late Autumn 2019, we were able to meet our stakeholders face to face. We took an iterative approach to co-creation which involved hosting 3 stakeholder workshops, over a period of 6 weeks. Each workshop involved presenting our development of the model and seeking stakeholder views to refine the model ahead of the next workshop.

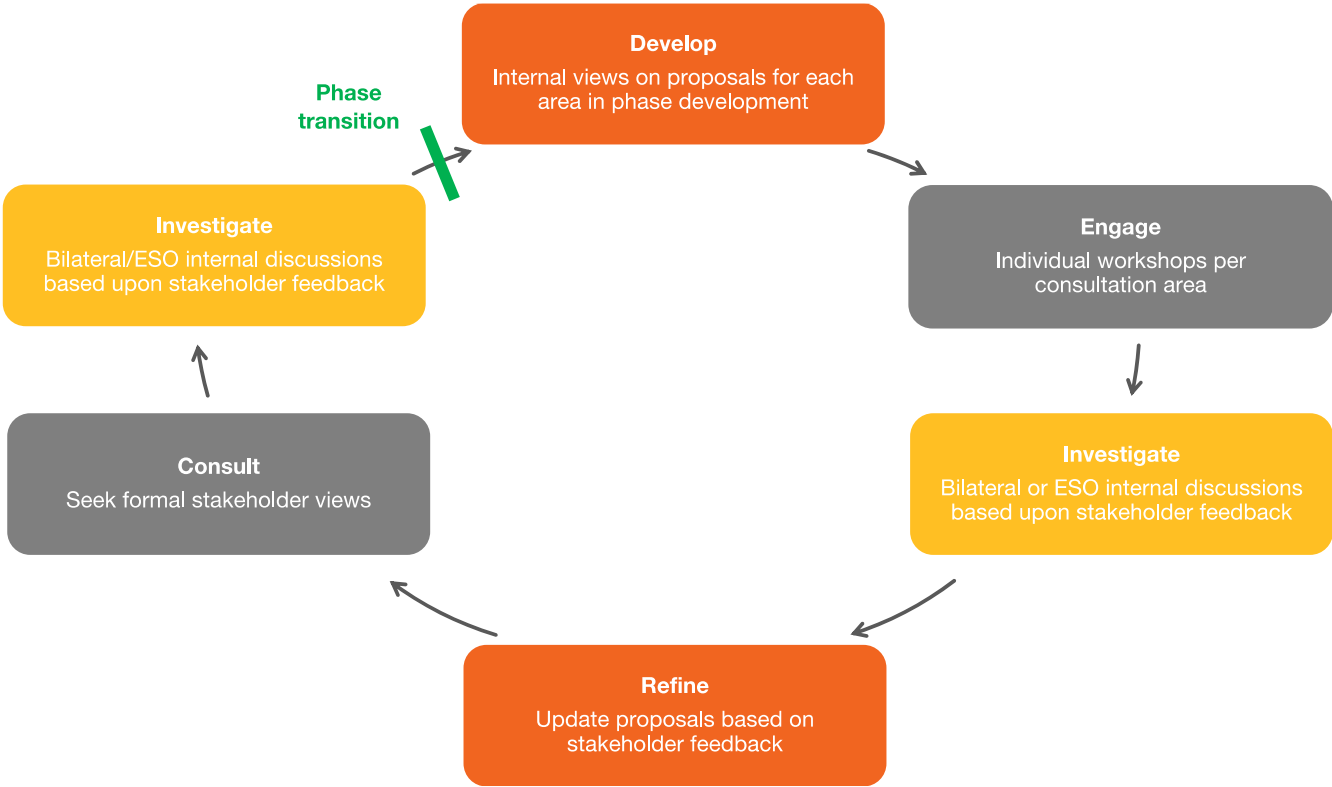
Figure 3: Phase 1 engagement cycle



"More time allowed, increase the number of participants in the session and send materials earlier than were sent through"

Throughout our engagement we have made sure that we are listening and responding to stakeholders both in relation to developing the model for early competition and how we conduct our engagement. Stakeholders expressed concern with the time commitment required for Phase 1, and the COVID-19 pandemic meant we needed to adjust our stakeholder strategy. Taking that feedback on board and recognising our stakeholders work life balance commitments had been affected by the pandemic we hosted 31 virtual workshops, building on outputs from the previous engagement cycle. This consisted of 9 subject areas which were repeated at different times over a 3 week period. We conducted these sessions in smaller groups to encourage greater discussion between stakeholders. The observations gathered at the workshops were investigated through internal discussions and bilateral meetings with industry specialists which have formed our Phase 2 consultation, as detailed in the Figure 4.

Figure 4: Phase 2 and 3 engagement cycle



We have also listened to stakeholder concerns on consultation duration. Our Phase 2 Consultation was scheduled to run for 4 weeks, however following feedback from stakeholders this was extended to 6 weeks.

To launch our Phase 2 consultation, we hosted an introductory webinar, where we presented the content and stakeholders had the opportunity to ask any points of clarification. A further Question and Answer session was scheduled for stakeholders to verbally feed into the consultation and raise any questions or concerns. The output of all workshops including all questions and answers has been published on our [website](#).

We [received seven formal responses](#), from the following organisations:

- NGET
- NG Ventures
- Storelectric
- Scottish Power
- SSE
- Transmission Investment, and
- A further confidential response.

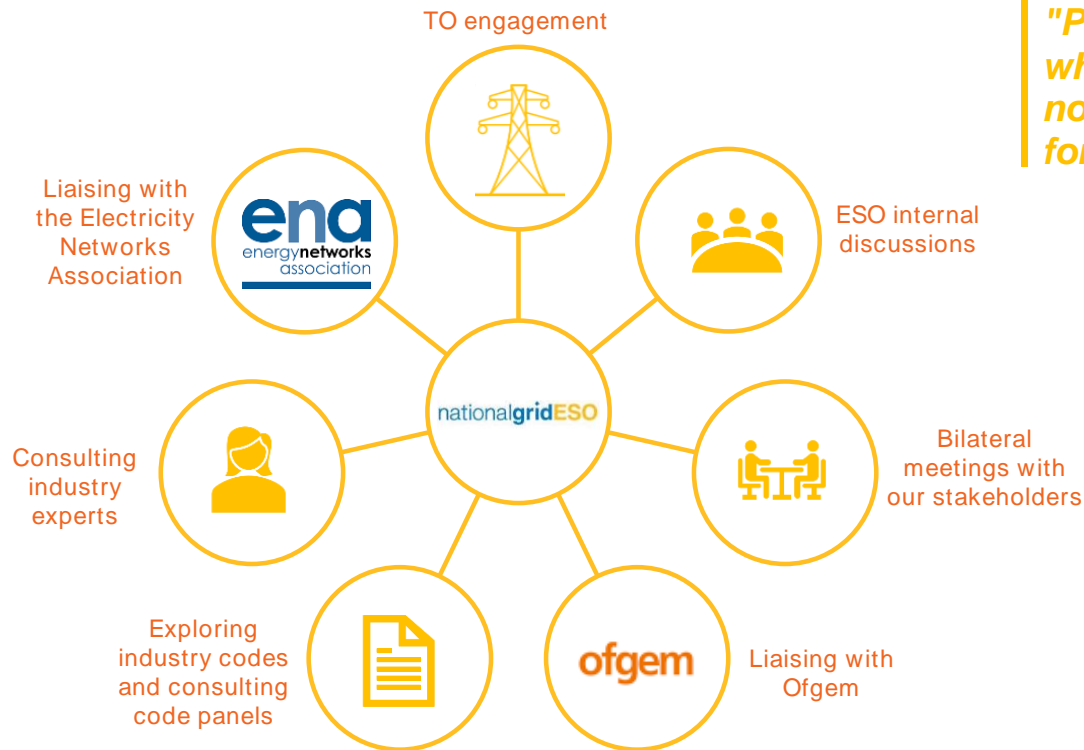
When speaking to stakeholders they informed us they liked our Phase 2 engagement and would like a similar style of engagement for Phase 3. Based on feedback we have decided to run several smaller bitesize sessions, breaking the consultation down in to various themes. Having listened to concerns stakeholders raised about the consultation window, we have formally agreed with Ofgem an extension (to April 2021) allowing an extended consultation window from 6 to 10 weeks.

In addition to workshops, we also met with our stakeholders through other forums, as illustrated in Figure 5. Transmission Owners ("TOs") and Ofgem have been key stakeholders who we have engaged with directly and regularly. This is due to the direct impact early competition will have on their licensing arrangements. The Distribution Network Operators ("DNOs") have been kept informed through the Energy Networks Association ("ENA"). We have engaged with stakeholders at some ESO events such as, Industry Code panels and ESO Operational Forum. These have been complemented by bilateral meetings with organisations who are already competing under early competition type models in the USA and potential new market entrants.

"Workshops are really good - structured and opportunity to engage with questions and comments"

Following the workshops, we further developed our proposals based upon feedback received. We investigated all feedback through the following methods:

Figure 5: How we've investigated feedback



[Chapter 8, Appendix 1](#) contains further details on how we consolidated feedback and used it to inform our plan. We appreciate all our stakeholder's commitment to engage with us throughout the development of early competition to date, which has fundamentally enabled us to further progress our proposals.

"Proactive consultations openness to issues what you hadn't thought of, which is not normal if you have been using a survey format"

The main points we have learned through our stakeholder engagement are detailed below. To make it clear where we have listened, we have referenced our four key messages throughout our Phase 3 consultation, using the symbols below.

Four key lessons

Keep our stakeholders in the know

We understand the importance of keeping our stakeholders informed of changes in our current thinking in addition to providing adequate notice of upcoming engagement events. However, through this process we have learned it is not only important how we communicate but also when. Stakeholders identified that our Phase 2 consultation launch webinar coincided with the date of a major industry publication. Following this we have tried and will continue to try to coordinate our key milestones with Ofgem to provide greater opportunity for our stakeholders to be involved.

Be consistent, whilst remaining flexible

These times are unprecedented, with vast changes occurring across the energy industry. We understand our stakeholder's time is precious and we are committed to making it as simple as possible for our stakeholders to get involved. Our Phase 2 and 3 workshops have followed a similar format, to allow stakeholders to know what to expect. We have repeated our workshops at multiple sessions to enable our stakeholders to attend at the most convenient time. To improve how we meet your needs, for this consultation we have adapted our launch workshop to multiple workshops.

Be transparent where possible

Introduction of early competition will ultimately have a significant impact on our stakeholders and their future business plans. We realise the importance of being transparent, detailing how stakeholder feedback has informed our proposals and being clear where feedback originated from. We have set out in our Phase 3 consultation how our proposals have been informed by stakeholder feedback. In addition, [Chapter 8, Appendix 1](#), Section 3 sets out the feedback we have received from each stakeholder group categorised by consultation area.

Strive for fair stakeholder representation

To develop a plan which is successful and can unlock savings for the end consumer we need to capture the views of a wide variety of stakeholders. We have attended events such as Code Panels and the Operational Forum to reach out to potential stakeholders. The ESO Networks Stakeholder Group ("ENSG") is our independent stakeholder group which represents the views of potential industry participants who may be impacted by the introduction of early competition. Their role is to hold us to account and ensure our proposals do not unfairly bias a single stakeholder.

3 ESO Networks Stakeholder Group (ENSG)

When formulating the RIIO-2 business plan the ESO RIIO Stakeholder Group ("ERSG"), was created to ensure stakeholder views were incorporated. Following the success of this group, Ofgem asked for a group with a similar role to be created as part of the governance for our Early Competition Plan.

Early competition could have a large impact on several stakeholder groups and hence we wanted to ensure that views of all stakeholders are fairly represented. The Chair of the group is a paid position which was advertised and competitively appointed. The other members of the group are volunteers, who were approached due to their areas of expertise.

The group is chaired by Dame Fiona Woolf, an energy and infrastructure lawyer and former partner with CMS Cameron McKenna.



The group is made up of representatives from the following sectors, as set out in Figure 6.

Figure 6: ENSG Representatives



The group's first meeting was held in July 2020, following a delay in creating the group as a result of COVID-19, with meetings then held at key milestones in the project. Full meeting minutes and details of the ENSG members are available on [our website](#).

As well as challenging our methodology as we develop the model and our stakeholder engagement, the group will submit a report to Ofgem

at the end of the project detailing their views on how we have engaged with stakeholders and addressed their concerns.

ENSG are also represented at the Early Competition Advisory Committee, see [Chapter 8, Appendix 1](#) The Role of the Advisory Committee is to provide oversight for the daily operations and strategic direction of National Grid's Electricity System Operator role within early competition.

Figure 7:ENSG Meetings

