

Electricity System Operator RIIO-2 Stakeholder Group (ERSG)

BP2, meeting 5

Date: 16/03/2022	Location: IET Savoy Place, London and MS Teams
Start: 12:00	End: 5:00 pm

Participants

Attendee	Attend/Regrets	Attendee	Attend/Regrets
Stuart Cotton, Drax	Regrets	Peter Emery, ENWL	Attend (virtual)
Ed Rees, Citizens Advice	Attend	James Dickson, Transmission Investment	Attend
Eddie Proffitt, MEUC	Regrets	Marko Grizelj, Siemens Energy	Attend (virtual)
Simon Roberts, CSE	Attend	Gregory Edwards, Centrica	Attend (virtual)
Elizabeth Allkins, OVO	Attend (joined at 13.20)	Patrick Hynes, National Grid	Regrets
Rachel Fletcher, Octopus	Attend	Nick Molho, Aldersgate Group	Regrets
Barry Hatton, UKPN	Attend (departed at 16.00)	Aileen McLeod, SSEN	Regrets
Robert Lowe, UCL	Attend	Andy Manning, Chair	Attend
Nina Skorupska, REA	Attend	Fintan Slye, ESO	Attend
Josh Jones, ESO	Attend (virtual)	Matthew Wright, ESO	Attend
Gareth Davies, ESO	Attend	Adelle Wainwright, ESO	Attend
Vicky Chiles, ESO	Attend		

Agenda

#	Time	Topics to be discussed	Lead
1.	12.00	Lunch	N/A
2.	12.30	Closed session	Andy Manning
3.	12.50	Minutes, actions and conflicts	Andy Manning
4.	12.55	Finalised strategy refresh and update on direction of BP2 plan	Matthew Wright (Head of Strategy and Regulation) and Graham Newton (Strategy Manager)
	14.00	Break	

5.	14.10	Consumer update	Laura Parkes (Consumer Strategy Manager)
6.	15.00	Deep dive: data	Niall Branley (Head of Data)
	15.30	Break	
7.	15.40	Deep dive: codes	Jon Wisdom (Senior Manager, codes)
8.	16.00	Deliverability/tracking our planned deliverables	Julian Ross
9.	16.30	ERSG future schedule	Adelle Wainwright
10.	16.40	AOB	
11.	16.40	Closed session	Andy Manning

Discussion and details

Topics to be discussed

1. ERSG closed session

N/A notes and actions circulated separately to relevant parties

2. Conflicts of interest, minutes and actions

- ERSG 4 minutes have been amended to reflect a member's amends. These were re-circulated for final review and sign off on 15.03.22.
- The action log was reviewed, noting that many of the open actions are ongoing.
- No new conflicts of interest were identified.
- Updated terms of reference have been recirculated to the group for final sign off. These reflect the group's focus for this year centring around providing feedback on the strategic direction of ESO around BP2.

Action: ERSG members to review edited minutes by 15.04.22.

Action: ERSG members to review amended Terms of Reference by 15.04.22.

3. Finalised strategy refresh and update on direction of BP2 plan

The presenters introduced the ESO's refreshed strategic mission and ambitions and provided an overview of how these aligned with BP2 activities.

- A member asked the presenters about the deliverability of BP2 deliverables, noting the changes required to areas such as customer connections. An ESO representative highlighted the progress made already on matters such as offshore network design – both within the ESO and industry.
- The Chair challenged the presenters to unpick further how agile delivery has and will translate into the BP2 plan.
- Another member enquired about whether current ESO staff have access to previous colleagues who have had experience of historic crises such as three-day working weeks during the 1980s. An ESO representative stated that, while they do keep in touch with a small community of ESO ex-colleagues, the rate of change within the industry today is unprecedented.
- Discussion focussed on a question from members around how significant the ESO's challenges are and the boldness of BP2 plans. They also asked whether the challenges since BP1 that the ESO presenters articulated during the presentation were viewed as threats or opportunities and if this had been articulated to Ofgem. ESO representatives also confirmed that, whilst the scale of industry challenges may require the ESO to establish a longer term thought leadership role, the BP2 plan is from 2023 to 2025 (i.e. there are many challenges associated with the current energy crisis that are currently being addressed now and others that will be more prominent in the next BP).

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- A member questioned whether challenges associated with rising balancing costs needed to be highlighted in BP2. An ESO representative noted the recent balancing costs review that the ESO had recently launched to address this challenge in the immediate term.
 - Another member asked whether further detail is required to show the full range of areas that are anticipated to increase resource and thus cost in BP2. An ESO representative noted that they are striking the right balance between adding in areas to the BP where there is certainty around the need and utilising the pass-through mechanism in areas where further certainty is required.
 - The group were pleased to see the ESO's strategy refresh had taken on board feedback from ERSG 4 and were generally positive about the new mission and ambitions.
 - A member asserted that they'd like to see more in the strategy around the ESO's expanding reach and role in future i.e. extending into consumers' homes as numbers of EVs and heat pumps increase. The member stated that this is implied to an extent in the trusted partner and data components of the ambition. Another member reinforced that the need for every consumer to change their behaviour to achieve net zero needs to come through strongly in the strategy, rather than its current framing which is engineering orientated.
 - Concerning the refreshed strategy and how this mapped to BP2 activities, members agreed that this did not go far enough in terms of showing the critical areas which require prioritisation and thus more resource.
 - Another member asked whether the strategy refresh articulated well enough the difference between 2035 and 2050. They questioned the distribution of asset sizes in the future and how much aggregation and digitalisation would be required, particularly for the smaller assets. An ESO representative highlighted that this is addressed to an extent in the recently publishing 'Bridging the Gap to Net Zero' report which looks at a challenging day on the electricity system in 2035. They noted that the ESO is working to improve means to gain greater visibility and control of smaller assets – noting the need to move away from the traditional command and control approach.
 - Regarding the strategic ambition of 'engaging as a trusted partner,' a member stated the need for the ESO to work with others in a collaborative manner and for stakeholders to trust in the ESO and demonstrate a whole system view. They queried whether the tone of the ambition needed to change to capture the need for the ESO to work and collaborate with everyone in the energy system. ESO representatives agreed with this notion.
 - Members further discussed the trusted partner ambition in relation to DNOs. ESO representatives acknowledged that the relationship and set of interactions with these needed to evolve, noting the varying pace of change amongst the six DNOs in GB. Whilst one member noted that the RIIO-ED2 framework is designed to create more alignment – particularly on DSO – another member stated that there were gaps in the regulatory framework that the ESO could potentially show thought leadership in to encourage greater regulatory clarity.

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5. Consumer update

The presenter discussed the ESO's latest thinking around the ESO's consumer strategy, alongside the key areas of feedback received from the ERSG consumer sub-group.

- Members of the ERSG consumer sub-group agreed that their comments from a previous consumer meeting had been summarised well and would like to see how this is translated into the next iteration of the consumer strategy. They highlighted that the strategy should be centred around the ESO enabling consumers to change to facilitate a net zero energy system – moving away from the utility style view of consumers. A member also noted the need for a culture shift within the ESO to make this a reality.
 - An ESO representative asked the group about its role in providing the right price signals to consumers and how the organisation should engage with suppliers to build consumer awareness. A member stated that they'd like to see the ESO as the consumer champion in the future energy system. They also stated that there need to be clearer routes to engage with the ESO from a supplier perspective.
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- Another member reinforced the need for the ESO's consumer strategy to encapsulate both what needs to be done to the energy system to achieve net zero alongside the consumer change that is required.
 - A member agreed with the ESO representative's presentation commentary around prioritising energy and financial markets, policy and standards and data and insight as the foundations for the ESO. They noted the need for wider horizon scanning to fully understand consumer policy impacts to further pinpoint the ESO functions in the consumer sphere.
 - One member asked the ESO members present for an understanding of what the ESO needs to do their job as well as they can for consumers, and in what form would they like to see the information required. The member further probed on industry roles and responsibilities, for example concerning the difference between energy suppliers and the ESO concerning decision making, and how will this change in future. An ESO representative stated that roles and responsibilities will be defined by the FSO and DSO decisions made by BEIS and Ofgem. The representative confirmed that, while the BP2 plan is focussed on DSO/ESO cooperation, this session has highlighted the need to go beyond the traditional utility style view to cover how the ESO will engage with all parties who play a central role in interacting with consumers.
 - A member noted the varying orders of magnitude of consumer flexibility that will be available in a net zero energy system. They commented on the fact that small numbers of large consumers will be easy to flex to balance the electricity system, whilst the opposite will be more difficult. An ESO representative confirmed that all kinds of flexibility will be required in a zero-carbon energy system, highlighting that there are many competing technologies, and that the ESO is actively looking into long duration storage and potential changes to markets and regulation in order for it to operate. Another ESO representative added that zero carbon operation centres around managing peaks as the number of EVs and heat pumps increase. From a consumer perspective the challenge is how to turn the avoided cost into an investment signal.
 - Another member reinforced the need a greater understanding of whether the ESO wishes to put in place for a consumer ecosystem that will then deliver based on set parameters and/or if external influences and new powers of control and capabilities will be required to enforce what the ESO does in certain circumstances. The member highlighted the need to understand when the focus shifts from one point to another (i.e. carrot vs. stick approach). An ESO representative stated that for consumers, it should be about the right incentives (i.e. the carrot) rather than command-and-control for individual consumers. Another ESO representative stated that a clearer 'back stop stick' might be required citing a banning of new internal combustion engines by 2030 as one example of where this has approach has been used by government successfully to change consumer behaviour.

6. Deep dive: data

The presenter discussed the ESO's data strategy since its formation in BP1 and the changes made to further clarify its direction in BP2.

- A member challenged the presenter on defining what good looks like for the ESO's data strategy, and how the ESO would determine whether its practices were best in class. They noted that the presentation featured a data triage which was of a concern, as this can suggest that data won't all be open and accessible. Regarding the latter point, the presenter clarified that data triage is an important part of the data strategy, to ensure that the ESO is not inadvertently sharing sensitive data. To that end, data triage would be a process to ensure that data can be shared safely and would mainly involve determining when and how to anonymise and aggregate data. In terms of what best in class would look like, the presenter highlighted that the ESO is working with a data and analytics external partner. They are adopting an incremental approach since technology is constantly changing.
 - The member followed up by asking about ESO capabilities, and how much is within the organisation versus what is brought in externally via consultants. The presenter confirmed that the ESO is bringing in an implementation partner to help with key design aspects of the data strategy. They also stated that they will need to bring in new competencies, especially in terms of operating large scale machine learning products. This will likely be incremental, upskilling and training staff as technology develops.
 - Another member questioned the presenter on the obstacles the ESO is expecting to see in the future in relation to its data strategy deliverables. They also sought to clarify how the ESO was
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developing use cases. The presenter stated that the biggest risk to delivery is finding the right talent, which is being addressed to an extent by bringing in an external implementation partner in the short term. Regarding the use cases, the presenter noted that the next milestone is developing a minimum viable product. They have a number of different use cases from within the ESO, including end-user applications which they can 're-platform' onto something that is more reliable.

- A member with experience in developing data strategies shared the following learnings: (1) choose and commit to one platform or tool, (2) ensure that there are adequate change management and documentation practices in place, (3) data ownership is key (i.e. it is easy to create dependencies without knowing) (4) host monthly village halls with hub and spoke employees to share best practice (5) Upskill employees who are new to analytics to embed this across the whole organisation (6) Ensure consistency in data science and analyst job fields particularly during performance reviews with the spoke model (7) develop a skills matrix to capture both technical knowledge and industry understanding (8) establish clear measures of success and ensure these are displayed in an accessible format to industry (9) define the source of the truth (10) develop a mentoring system (11) concerning use cases, this will need a common thread of architecture running through each (12) develop measures of success for employees e.g. retention of staff, progressing people through the skills matrix.
- Another member liked the approach and structure the ESO proposes to put in place. They questioned implementation and technology choices the ESO would need to make. The member also asked about the use of the ESO's technology committee and whether this was purely to provide a sounding board for big decisions. Additionally, the member asked how the ESO plans to bring the rest of the business along on the data journey, and noted that, with regards to attracting and retaining talent, it could be an exciting place to work for a data analyst.
- A member queried the process diagram presented, and whether there were plans for data clarification or variation. They noted that, where there is a milestone change or update of data, these need to be correctly aligned.

BREAK

7. Deep dive: codes

The presenter discussed the focus areas for codes into BP2, citing external factors such as the Energy Codes Review in influencing the ESO's current direction.

- A member agreed with the ESO's proposal to use AI in codes but asked for further clarity on what the future training set would look like.
 - Members were in agreement that the approach presented (i.e. to start with digitalisation) seemed correct given the wider context (e.g. awaiting the outcome of the Energy Codes Review). A member highlighted that potential concerns around producing a very large document once digitalised would not be relevant if digitalisation is carried out in the right manner. They also highlighted that the ESO could extract data from various users to understand the benefits and areas that required further improvements.
 - Some members also agreed that improving the accessibility of the codes is much needed, especially for those with disabilities or where English is not their first language.
 - A member noted that, whilst they agreed with the ESO's general approach for BP2, they acknowledged the vast amount of work required in the codes space and highlighted that, the more the ESO can act like a code manager the better to deliver the necessary pace of change. They also stated that, in terms of actual delivery, the ESO will need to be forward thinking around the force of their delivery in a challenging and potentially controversial area, noting the TNUOS task force as an example.
 - A member sought further clarification from the presenter on the user personas displayed in the pre-read material. The presenter confirmed the intent is to think about specific code users and that they are currently thinking through the level of granularity required. An alternative approach they are looking into is the creation of personas going through the codes process.
 - The member followed up by asking about the presence of the newly formed codes steering group, and whether this will be in place throughout the end-to-end process. The presenter confirmed that this would be the case.
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8. Deliverability/tracking our planned deliverables

The presenter introduced the ERSG to the ESO's new governance structures and cross portfolio management software to enable greater tracking, prioritisation, cross-departmental visibility and collaboration.

- A member highlighted that it was positive to see the ESO's restructuring of committees and appreciated the importance of dedicated portfolio management tools. However, they voiced concern about whether this could become a substitute for individuals taking ownership for delivery. They underlined the need to create a culture that is going to drive even greater performance, and continuing engagement with staff who are carrying out the work. The member also noted that, if all governance were to occur at committees, it would slow process. The presenter noted that the ESO is just rolling out its product focussed model and agile ways of working and will be continuing to look into other mechanisms for all types of change in the business. Concerning the portfolio management software, the presenter stated that the tool reduces reporting workloads for employees – and that the data it produces can be used for various reporting purposes and functions. Another ESO representative noted that structures within the ESO need to be at a level at which it is necessary to coordinate, and not to overly govern projects. The organisation's agility – both in culture and mindset – will be key.
- Another member highlighted that some projects displayed in the presentation were not for this financial year and asked whether there was a need to add the category to the portfolio management software on what is missing and relevant. They emphasised the need for the system to display appropriate lead times. An ESO representative highlighted that having one portfolio review board removes barriers between directorates within the ESO. They emphasised that delivery capability in BP2 will play a key role alongside culture changes.
- A member challenged whether individuals within the organisation would keep the input data required for the portfolio management software up to date and whether other programmes might be employed by different teams. An ESO representative noted that there is no reason to have a different internal reporting tool since this is the only one that is looked at internally.
- The Chair asked about the success of the measures so far. The presenter stated that the first two portfolio review boards have been effectively run and they have received positive feedback from attendees. They are yet to gather quantitative data on this new governance structure since it is still a new process.
- A member reinforced that culture is very important and asked whether the ESO would be using the new portfolio management software to explain why they can't progress with a particular project, or why a project can't be expedited. The member also asked whether the system would be used to strengthen the ESO's argument to the regulator about doing more, or being able to do more with less resource. The presenter stated that the tool provides the ESO with the opportunity to produce an informed assessment of its current state. In terms of doing more, if the ESO has a better picture of what change is happening and when, they will be able to increase delivery in a much more controlled way.
- The member challenged on what the measurement of success would be and how the ESO will use the tool in terms of Ofgem reporting. An ESO representative highlighted that the metrics used mirror those that are in the business plan, and that the software, along with the new governance structure, should increase confidence in delivery. They acknowledged that this would need to occur in parallel to instilling cultural change.

9. ERSG future agendas

The presenters noted that the ESO plan to host a BP2 cost and benefit walk through in April. They also noted that they are currently in discussions with the Chair concerning finding the right point to share the final BP in August (i.e. to ensure that there is adequate time for the group to produce a response).

10. AOB

None.

11. ERSG reflections (closed group)

The group gave their reflections and closed the meeting.
