

## ESO RIIO-2 Stakeholder Group

# Changes to the Business Plan since October

**Agenda item:** 5  
**Meeting date:** 07/11/2019

### Executive Summary

#### Context

We submitted our second draft RIIO-2 Business plan to Ofgem's RIIO-2 Challenge Group on 1 October 2019, which ERSG had received in its draft form for its 12 September meeting. Since the submission of the 1 October business plan we have developed it further and have plans for additional changes before it is finalised in response to stakeholder, ERSG and Challenge Group feedback and internal developments. The latest version of our December draft business plan is included as part of this pre-read pack.

#### Purpose of paper

This paper provides the ERSG with details of the changes that will be in our final December Business plan submission.

#### Ask of ERSG

1. To note the high-level summary of changes that will be made for the final Business Plan submission and provide any further feedback or comments on the provided draft of the document.
2. To comment on whether our Business plan submission meets Ofgem's requirements of being ambitious and well-justified

## ESO RIIO-2 Stakeholder group

# Changes to the Business Plan since October

## The Report

### Summary of high-level changes

#### Stakeholder Engagement

We have continued to work with our stakeholders since the draft October Business Plan to refine our proposals ahead of final submission to Ofgem in December 2019. This has included a Stakeholder workshop in October, trade association meetings and bilateral meetings, including with network companies to ensure plans are aligned. The focus of the engagement was on the plan as a whole and included specific discussions our two-year deliverables, creating value for consumers and how we will measure success (our metrics).

As a result of this feedback we have updated our proposed investment, with limited changes being made to shared service IT infrastructure and opex costs, property costs, and small FTE changes made to other proposed activities.

Further details of the feedback we received can be found in our Stakeholder Chapter, section 2.3.3 of the business plan. How we responded to the feedback we received will be detailed in the stakeholder report. The version submitted alongside the October Business Plan is provided today.

#### Additional activity

Our December submission includes a new transformational activity to increase resources to support the scoping and delivery of coordinated offshore network development. Earlier this year the Committee for Climate Change reported that GB would need 75GW of offshore wind by 2050 to achieve the Government's Net Zero ambition. We believe timely connection of this high scale of offshore windfarm projects can most efficiently be discharged through a strategic integrated approach. Such an approach will both minimise the costs of offshore connections and also the disruption to local communities. Feedback from communities on the east coast has indicated that the current piecemeal approach is disjointed and we recognise that appropriate landing points are limited.

We propose to work with stakeholders to develop arrangements that will facilitate the timely delivery of an efficient offshore grid that will support the 2050 Net Zero target. From the start of RIIO-2 we will work with stakeholders to develop the appropriate commercial, technical and regulatory arrangements that will facilitate an efficient integrated offshore grid. In the first year, this will see scoping by an initial team of three FTEs. This team will increase to five FTEs the following year. We anticipate an interim report would be published in 2023/24 with final conclusions in the following year. Roll-out could commence from 2025/26, recognising the inherent uncertainties in the development of a new industry regime.

#### Setting us up for success – deliverability

Since the last ERSG meeting and in response to your feedback, we have worked to refine and better articulate how we will ensure our plan is deliverable for our December submission. We will be providing further detail under the risk in business plan section 3.5: Delivery confidence, and we have refined and strengthened Part 3: Setting the ESO up for success. The changes include some additional resources to drive and oversee the successful delivery of the business plan. A separate paper for agenda item 9 (8.9) has been provided to explain this in further detail.

#### Financeability

The Financeability section will be updated in line with Ofgem's decision document published on 25 October 2019. Further detail of this is provided separately in the pre-read pack.

## Digitilisation strategy

Ofgem has requested that the network companies publish Digitalisation Strategies as part of the RIIO-2 Business Plan process. This will be a development of our chapter on Open Data that will be able to stand-alone as a separate strategy. It will include how we intend to respond to the Energy Data Taskforce<sup>1</sup> (EDTF) recommendations:

- As the Electricity System Operator (ESO), we will transform our own capabilities and drive the energy transition by being a leader in the application of digital technology in system and market operation and design and an advocate for open data.
- We will seek to learn from others, both within and without the energy sector, and openly share our experiences and learnings with others.
- We welcome the EDTF recommendations and will take a leading role in delivery.

We have defined three broad areas where we will apply data and digital technologies to drive consumer value:

1. **Building our core capability through digital technology:** Transforming our business processes such as energy forecasting, system operation and network planning to enable secure operation of the electricity system of the future.
2. **Facilitating industry transformation through open data:** Making all of our shareable data available in an accessible format on a data portal to inform efficient business decision making across the industry and drive innovation.
3. **Transforming the customer experience through digital market enablement:** Removing barriers to market entry and participation by making it easier to do business with us through digital technology

## Ten-year vision

We have built on our business October plan narrative and have included a ten-year vision of how we see our role evolving given the external environment. Further details of this can be found in the business plan chapter 1: Introduction and context.

## Cyber security strategy and business IT security strategy

A new supporting Annex has been created which details our approach and strategy to Cyber Security and our business IT security strategy. This will be submitted with our final business plan and is not included with the papers for ERSG.

## Financial impact of the changes

Our current view of the net financial impact of these cost changes is around an additional £13m over the five years of the RIIO-2 plan, with an average annual impact of around £5 million in the first two years. We are therefore proposing an increase in the quoted average annual cost of the ESO in its first two-year business planning cycle, from £250m per annum (in October plan) to £255m in the December plan.

---

<sup>1</sup> <https://www.gov.uk/government/groups/energy-data-taskforce>