

To all GB industry parties and stakeholders
interested in Balancing services

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ESO Open letter - Balancing Capability Strategic Review

National Grid Electricity System Operator (ESO) is undertaking a strategic review of the systems used to support our balancing capability.

We welcome the industry to join this review and collaborate with us, so we can ensure our plans and delivery roadmaps meet our RIIO-2 strategic objectives, minimise balancing costs, deliver consumer benefits and create a foundation for future market changes and reform.

We are keen to receive views and input from a wide range of stakeholders, to ensure that further investment will enable us to:

- Meet our net-zero carbon operability ambition.
- Continue to remove barriers to entry for energy providers and encourage participation in the market.
- Operate within increasingly challenging system conditions.
- Efficiently and effectively transition between our current and future balancing capability.

A changing landscape

Under the RIIO-2 business plan, the ESO has transformational ambitions which deliver significant benefits, many of which are dependent on enhanced balancing capabilities in our Electricity National Control Centre (ENCC). With the rapid pace of change across the energy industry, we must ensure that our approach to planning and delivery of our balancing capability is flexible and can adapt in future to the evolving needs of our customers.

We need to continue to deliver safe, secure, and economic system operation while efficiently transitioning from existing to new capabilities. This requires us to work in an agile way, so we can respond to the highest priorities in an increasingly complex and interconnected system.

The Balancing Programme

This programme was established to develop the balancing capabilities that the ENCC needs to deliver reliable and secure system operation, facilitate competition everywhere and meet our ambition for net-zero carbon operability. To date, the programme has done extensive work to modify our existing capabilities to meet changing market conditions and customer requirements.

However, in their current form, our existing capabilities will not be able to meet all future challenges. Additional investment is required to develop new capabilities that can meet changing requirements. We need to modernise and transform our balancing capabilities and associated platforms. This will ensure that we have the vital flexibility to facilitate future changes, both expected and emerging, across the industry.

In line with our RIIO-2 plan, we have further assessed the scale of change and complexity associated with transformation of our systems whilst maintaining our existing systems and enabling market changes. We now have a better understanding of the complexity of change required and the large number of dependencies involved in transitioning from old to new systems. This complexity and the continually changing landscape have resulted in an increased cost forecast compared with those estimated at the submission of our RIIO2 plans in December 2019.

Stepping back to assess our options

This challenge has caused us to step-back and review our strategy, roadmaps and delivery plans. We want to work with industry to ensure that we are making the right choices to meet our goals, the needs of the market, and that we do so in a cost-efficient, transparent and effective way.

Engaging with the industry in April and May and on an ongoing basis

In this review we would like to spend the next 2 months to get rich industry input into how best to deliver the systems transformation required, including the scope and required roadmaps, so that we can meet the needs of our customers. We welcome your input to ensure we develop plans that are ambitious and achievable and have considered the priorities of our stakeholders. **We will set-up a virtual introductory session to this review on Thursday 7 April**, where we can take feedback on how we plan to run the review across the next 2 months. We propose to have dedicated collaborative forum events to gather your views as set-out below:

Phase 1	Explore	<ul style="list-style-type: none"> • Outline current capabilities • Understand market participation challenges and pain points • Capture future requirements • Review transformation and new capabilities to be developed • Challenge assumptions
Phase 2	Develop	<ul style="list-style-type: none"> • Identify options • Prioritise capabilities that will give the greatest benefits • Consider costs of development • Understand how to transition from existing to new capabilities
Phase 3	Agree	<ul style="list-style-type: none"> • Consider what the roadmap for the transformation looks like • Plan for future industry engagement to progress together
Phase 4	Progress	<ul style="list-style-type: none"> • Maintain clarity on development • Keep stakeholders involved and informed on a regular basis

How to find more information and get involved

- On our website <https://www.nationalgrideso.com/industry-information/balancing-services>.
- In newsletters provided by various parts of our business.
- Attending presentations at existing industry and ESO forums.
- Attending dedicated collaborative forum events.
- Submitting enquiries to Box.BalancingProgramme@nationalgrideso.com.
- Talk with a member of our team.

Together, we can shape the future of balancing, to ensure we develop a system with capabilities that enable the future demands of the ESO, market participants and consumers. You can register your interest in the introductory session on 7 April, and in the review itself, by visiting our website, contacting me directly or by contacting the team at Box.BalancingProgramme@nationalgrideso.com.

Yours sincerely,

Rob Rome

Director, Balancing Programme