

# ESO Forward Plan introduction

**Webinar**

6 March 2018

## Welcome to the ESO Forward Plan webinar

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- Thank you for joining us!
- You will be joined in listen only mode
- Please use the chat function to make comments and ask questions (hover cursor in the top of the screen to reveal chat function box)

## Who are we?

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**Charlotte Ramsay,  
Programme Director,  
Future of the System  
Operator**



**Claire Spedding,  
Head of Business  
Development**



**Alice Etheridge,  
Network Development  
Strategy Manager**

# Recap of new scheme

**ofgem**  
This year



2019/20 onwards

**Ofgem / Panel** reviews ESO Plan to ensure it is comprehensive, challenging and reflective of stakeholder views



**Panel:** Mid year review to provide feedback to ESO



1) Establish ESO Forward Plan, deliverables and Performance Metrics



2) Monitor performance throughout the year



4) Decision on financial payment / penalty (by Ofgem)



3) Final performance evaluation

**ofgem** **GEMA** makes decision on financial payment/ penalty. For 2018/19 we propose a max cap/floor of  $\pm$ £30m

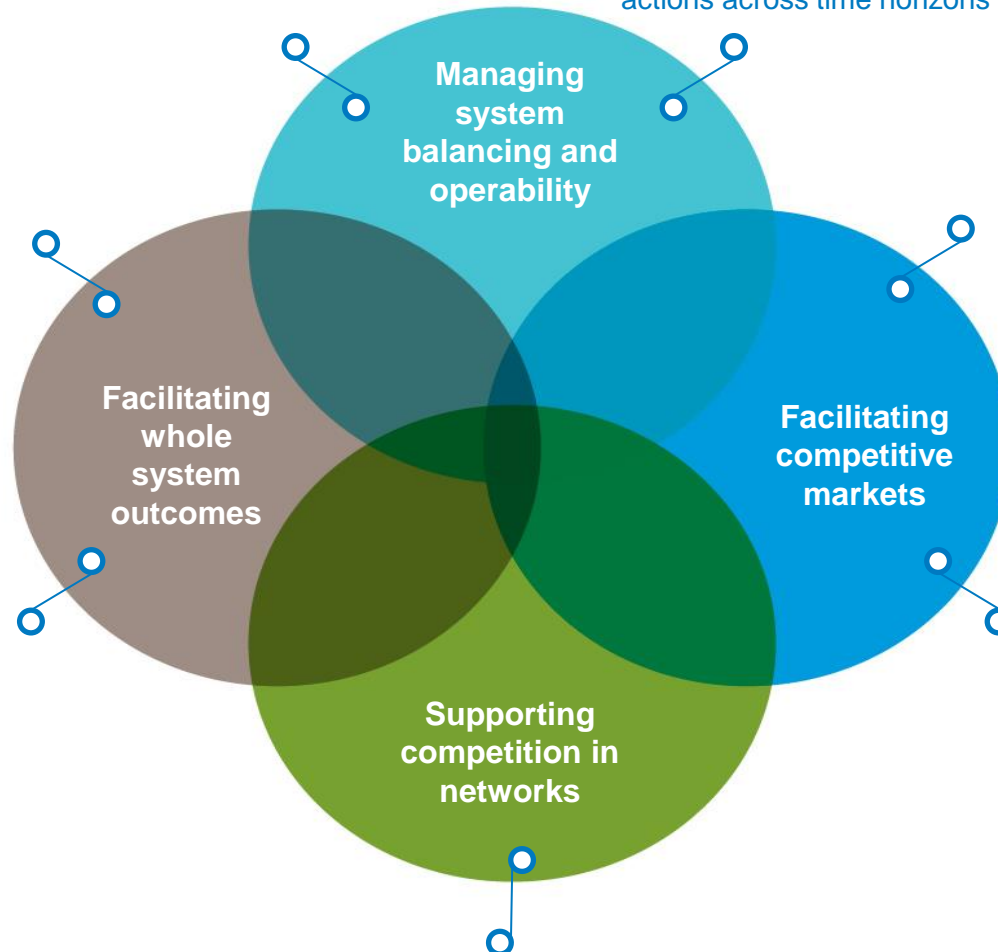


**Panel:** evaluates ESO performance for each principle, based on clear ex-ante criteria

# Our roles and principles

**Principle 1:** Support market participants to make informed decisions by providing user friendly, comprehensive and accurate information

**Principle 2:** Drive overall efficiency and transparency in balancing services, taking into account impacts of ESO actions across time horizons



**Principle 3:** Ensure the rules and processes for procuring balancing services, maximise competition where possible and are simple, fair and transparent

**Principle 4:** Promote competition in the wholesale and capacity markets

**Principle 5:** Coordinate across system boundaries to deliver efficient network planning and development

**Principle 6:** Coordinate effectively to ensure efficient whole system operation and optimal use of resources

**Principle 7:** Facilitate timely, efficient and competitive network investments

# ESO Forward Plan

## Overview

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### Long term vision

- Widest possible range of solutions in investment and balancing timeframes
- Easier to participate in industry governance and change
- ESO playing its part in helping businesses to operate efficiently

### Delivery

- Defined activities in under each principle for 2018/19 to drive us towards delivery of our long term vision

### Performance

- Performance metrics
- Delivery against commitments
- Stakeholder feedback
- Consumer value (short and longer term)

**Principle 1:** Support market participants to make informed decisions by providing user friendly, comprehensive and accurate information

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**Stakeholder priorities**

Improved energy forecasting

More granular BSUoS forecasts

Better understanding of our balancing services procurement and ESO trades

**Our actions**

Develop new models and processes, source new data and adopt new software to improve our forecasting capability

Publish additional data on balancing actions through accessible formats

**Performance measurement**

The accuracy of our forecasting:

The timeliness and accuracy of the information that we publish on balancing activities

This will **reduce the overall costs of balancing for consumers** by:

- reducing the requirement for the ESO to take **balancing actions** and
- lowering **risk premia** for market participants

**Principle 2: Drive overall efficiency and transparency in balancing, taking into account impacts of its action across time horizons**

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**Stakeholder priorities**

Going beyond economic and efficient in our management of balancing spend, bringing new levels of transparency and considering our impact across a variety of timescale.

**Our actions**

Deliver cost efficiency innovations including delivery of new systems

Review of Electricity Network Control Centre processes and systems

**Performance measurement**

Balancing cost management – outturn spend within published benchmark range

This will deliver consumer value through:

- Better helping our customers manage their positions, reducing overall need for ESO balancing actions and costs



**Principle 3:** Ensure the rules and processes for procuring balancing services maximise competition where possible and are simple, fair and transparent.

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### Stakeholder priorities

Make Balancing and ancillary services markets simpler and more accessible

Help new providers to navigate the processes

Ensure fair competitive market based procurement methods wherever possible

### Our actions

Reform balancing services markets through rationalisation and simplification and provide enhanced facilitation to new providers

Move away from bilateral procurement activities to competitive market based procurement methods wherever possible

### Performance measurement

Progress against actions in Balancing Services Roadmap

Stakeholder satisfaction

Increase in tenders/bids from individual units

This will deliver consumer value through:

- Reducing barriers to entry and increasing numbers of service providers in markets
- Increasing market liquidity and driving down costs

## Principle 4: Promote competition in the wholesale and capacity markets

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### Stakeholder priorities

Accurate and on time BSUoS bills facilitate participation in wholesale and capacity markets

Customer service in our role as code administrator needs to improve

Better coordination of access and charging reforms is required

### Our actions

Dedicated resources to implement and support improvements and billing query resolution

Delivery of actions to improve efficiency, transparency, accessibility and customer service

Delivery of the Charging Futures program

### Performance measurement

BSUoS Bill query response and resolution time

Customer Satisfaction Survey on Code Administrator Performance

Charging Futures Stakeholder Satisfaction measures

This will deliver consumer value through:

- Reducing need to include risk premia (to cover uncertainty) in BM prices
- Increasing engagement with the industry change processes removes barriers, improves quality and timeliness of industry change in the interests of consumer

## Principle 5: Coordinate across system boundaries to deliver efficient network planning and development

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### Stakeholder priorities

Non-transmission parties should be encouraged to suggest solutions to transmission system needs

We need to collaborate with Distribution network partners to manage transmission and distribution constraints and release capacity for new connections on the distribution networks

### Our actions

Run three Regional Development Plans (RDPs) to identify non-transmission solutions

Develop Network Options Assessment (NOA) process to identify and evaluate alternative solutions to transmission needs

Develop new processes and types of contracts to enable connections

### Performance measurement

Number of non-transmission solutions achieved

New capacity at distribution level as a result of UKPN/ESO RDP collaboration on South-East coast network

This will deliver consumer value through:

- Distribution network connections improved enhancing liquidity of markets
- Development of innovative balancing services contracts with Distribution connected parties supports system security and can drive down balancing costs

**Principle 6: Coordinate effectively to ensure efficient whole system operation and optimal use of resources**

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**Stakeholder priorities**

Balancing costs are at the core of managing their profitability

Network access planning processes need improvement to minimise within-day cancellation

Late notice actions need to be minimised in the balancing mechanism to facilitate networks access

**Our actions**

Better identification of emerging system operability challenges and reporting on our actions

Investigate cancellations and identify mitigations to prevent repeat, scope and ITT for new Transmission Owner Availability System

Enhance collaboration between the ESO and the relevant TO improving timeliness of connections contract

**Performance measurement**

Delivery of six monthly Operability Reports and stakeholder satisfaction feedback on this output

Number of planned outages that are cancelled within day due to process failure

Percentage of connections agreements updated within 9 months of notification

This will deliver consumer value through:

- Enhanced risk management and more efficient delivery of system operability through longer term planning and enhanced operability modelling capability, reduction in balancing costs
- Saving money on cancelled asset maintenance and connection plans reducing network costs

## Principle 7: Facilitate timely, efficient and competitive network investments

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### Stakeholder priorities

Need to consider a wide range of potential solutions and approaches to delivery to meet transmission system needs...

Need to make the process for offering solutions to meet transmission needs as accessible as possible

### Our actions

Increase scope of Network Options Assessment (NOA) to include non-network solutions

Design developments to the NOA to accommodate the introduction of competition in delivery of onshore transmission

Publication of NOA roadmap to show direction of travel to allow more stakeholders to engage

### Performance measurement

Consumer value for alternative options against traditional build options

Measurement of effectiveness of ESO's engagement on the development of the NOA

This will deliver consumer value through:

- Reduced costs of delivering increased network capability through consideration of a variety of options available, not just transmission build
- Increased stakeholder participation in the NOA will increase competition for delivery of solutions to meet transmission needs at lower cost

## Next steps

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- Consideration of feedback received
- Publication of ESO Forward Plan 2018/19 – End of March
- First quarterly performance report – July 2018
- First Mid-year review – October 2018
- Ongoing engagement through multiple existing and new channels to refine direction to maximise consumer value
- Seeking views in six and twelve months to inform Performance Panel evaluation