

30th September 2021

National Grid ESO response to the ESO Business Plan Guidance

Dear ESO Regulation Team,

We welcome the opportunity to respond to your consultation on the ESO Business Plan Guidance.

National Grid ESO is the Electricity System Operator for Great Britain. We move electricity around the country second by second to ensure that the right amount of electricity is where it's needed, when it's needed – always keeping supply and demand in perfect balance. As Great Britain transitions towards a low-carbon future, our mission is to enable the sustainable transformation of the energy system and ensure the delivery of reliable, affordable energy for all consumers. We use our unique perspective and independent position to facilitate market-based solutions which deliver value for consumers.

We support the vast majority of the guidance presented by Ofgem for our second RIIO-2 business plan. We welcome the requirement to include an initial view of transformational activities and costs related to the possible changes to the ESO's wider governance arrangements. As set out in our response to the Energy Future System Operator consultation¹, to unlock maximum value and reduce uncertainty for our people, and the customers and stakeholders we interact with daily, we believe implementation should move at pace without introducing undue risk. Including an indicative view of timelines and costs in the second business plan is a valuable first step in this process. However, it is important to note that this will only provide a partial view; National Grid Group will also incur costs during the implementation process that need to be factored into the final cost assessment.

We have valued the constructive engagement so far with Ofgem on the business plan guidance and we look forward to continuing to engage with the Ofgem team on several areas where the guidance is not fully specified. We believe that further discussion over the coming months is needed for the following:

- **IT investments guidance:** we are concerned about the impact of the delayed IT investments guidance on our ability to deliver the draft business plan by 30 April 2022. We would welcome engagement with Ofgem as soon as possible on the direction and contents of the IT investments guidance, alongside a firm date for its publication in 2021. In addition, we look forward to receiving Ofgem's guidance on the requirement for updates to our cyber resilience investment plans (if any).
- **Innovation guidance:** we recognise Ofgem's need to understand how the ESO is making, and will continue to make, effective use of the Network Innovation Allowance. We look forward to providing an update on RIIO-2 innovation projects (which will still be in their early stages by April 2022) and on our priorities for future innovation activities. The inherent uncertainty of innovation means that providing certain and detailed information about future projects is not always possible. We must retain flexibility in our plans to meet the rapidly evolving needs of the energy industry, but we will provide as much evidence as we can in support of any request for additional RIIO-2 innovation funding.
- **Final Determination date:** we would like to engage with Ofgem to understand how we can minimise any unexpected impacts from receiving their Final Determination in the month before the second business planning cycle (BP2) begins. Early insight on the direction and contents of the Final Determination could mitigate the potential risks to BP2 business plan delivery and costs.

¹ Energy Future System Operator consultation: <https://www.gov.uk/government/consultations/proposals-for-a-future-system-operator-role>

- **Material changes:** we would like to work with Ofgem to clarify what post-submission changes to our business plan would be deemed large enough to require an addendum to the business plan.

We look forward to continuing to work closely with Ofgem on the development of the ESO's second RIIO-2 business plan. Should you require any additional information or would like clarity on any of the points outlined in this letter then please contact Urmi Mistry in the first instance at urmi.mistry@nationalgrideso.com.

Yours sincerely

A handwritten signature in black ink on a light blue background. The signature appears to read "M. Wright".

Matthew Wright

Head of Strategy and Regulation