Call for Evidence – Electricity System Operator's (ESO) end of scheme performance 2021-2023

This Call for Evidence is open from 20 March 2023 to 20 April 2023

Dear Stakeholders,

This document outlines our call for evidence on the Electricity System Operator's (ESO) end of scheme performance 2021-2023.

Background

We're approaching the end of the Business Plan 1 (BP1) period of the RIIO-2 price control for the Electricity System Operator.[1] Under the RIIO-2 framework, we evaluate the ESO's performance delivering its two-year business plan to determine an overall financial reward or penalty. We consider whether the ESO has achieved our expectations under the ESO Roles Guidance,[2] and the extent to which it has delivered value for money for consumers. Our assessment looks at whether the ESO has delivered its key business plan commitments on time and to budget, and how well it has delivered these commitments. This is supported by several numeric measures of performance and evidence collected from the ESO and stakeholders throughout the two-year period.

The assessment is performed by both Ofgem and the independent Performance Panel, using The Electricity System Operator Reporting and Incentives Arrangements: Guidance Document (ESORI).[3] The Performance Panel's assessment forms a recommendation we use to make a final decision.

Stakeholder views

A key component of our assessment is the opinion of the many stakeholders involved in the BP1 process. Stakeholder evidence is one of the five core components of the evaluation criteria[4] we use to assess the ESO's performance for each of the three Roles.

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[1] RIIO-2 Final Determinations
[2] ESO Roles Guidance (2021-2023)
[3] The Electricity System Operator Reporting and Incentives Arrangements: Guidance Document
[4] The five components of the evaluation criteria are: Plan delivery, Stakeholder evidence, Value for money, Metric performance, and Demonstration of plan benefits

We're looking to draw on the knowledge and expertise of a wide range of stakeholders to perform a comprehensive assessment of the ESO's BP1 performance.

We're publishing this call for evidence to request stakeholder feedback on the ESO's performance from April 2021 to date. We welcome feedback on any Roles (see Annex 1 – Summary of ESO Roles) and any deliverables in the ESO's business plan.[5] This includes areas where you believe the ESO is below, meeting, or exceeding expectations.

We'd appreciate feedback categorised into each of the Roles, and particularly welcome feedback on the key themes raised in our mid-scheme review,[6] such as:

- Role 1 – The ESO's delivery of benefits and value for money from its priority IT projects, and its steps to tackle increased balancing costs in the short term

- Role 2 – Delivery and implementation of the various balancing products and markets the ESO has developed, and how well the ESO has collaborated with the industry in this area.

- Role 3 – The ESO's performance on improving the connections process, and its leadership on strategic network planning.

Please send your feedback to esoperformance@ofgem.gov.uk by 20 April 2023.

Next steps

The ESO will publish its end-of-scheme report in May 2023. This will be followed by a stakeholder event in June, a chance for verbal feedback and engagement with the ESO on its performance during BP1.

The Panel will assess the ESO's performance and publish a report following this. We will also be assessing the ESO's performance, considering the Panel's recommendations to us, and we will publish a report with our final decisions later this summer.

If you have any questions on the contents of this letter, please contact us on the email above.

We look forward to hearing from you.

All the best,

Matthew Fovargue

Policy Manager, ESO regulation

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[5] ESO RIIO-2 Updated Delivery Schedule
[6] Electricity System Operator's Mid-Scheme Review 2021-23 | Ofgem

Annex 1 – Summary of ESO Roles

Role	Activities and outputs
Role 1 – Control centre operations	**Activity 1a: System operation** • Balancing efficiently • Maintaining security of supply • Making trade-offs across time horizons • Ensuring future operability • Coordinating with other network operators • Minimising outage changes caused by error • Oversight of balancing services markets • Maintaining effective and reliable IT systems • Operating the network carbon free **Activity 1b: System restoration** • Restoration plans and tools • Restoration policy • Restoration services procurement **Activity 1c: Transparency, data and forecasting** • Provision of market information • Driving the energy sector digitalisation • Using and exchanging data • Forecasting • Data use and exchange

Role 2 – Market development and transactions	**Activity 2a: Market design** • Competitive market-based procurement • Close to real time procurement • Delivering accessible markets • Signalling procurement needs • Coordinated procurement across the whole system **Activity 2b: Electricity market reform** • User experience with the EMR portal • Implementation of policy and rule changes • Providing support to EMR parties • Making accurate prequalification decisions • Improving EMR processes • Monitoring compliance with rules • Security of supply modelling **Activity 2c: Industry codes and charging** • Managing code changes • Improving GB rules and standards • Influencing, implementing and administering European rules • Promoting efficient charging and access arrangements
Role 3 – System insight, planning and network development	**Activity 3a: Connections and network access** • Managing connections • Outage and medium-term access planning

5	**Activity 3b: Operational strategy and insights** • Providing energy insights • Producing analytically robust scenarios and long-term forecasts • Ensuring coordinated scenario development **Activity 3c: Optimal network investment** • Identifying network needs and solutions • Coordination between network assessments • Procurement of network solutions • Consistency with distribution network planning