

Grendon Thompson
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Sent via email to: ESOperformance@ofgem.gov.uk

Dear Grendon,

Consultation on the evaluation process for the 2019-20 ESO regulatory and incentives framework

I am writing in response to the consultation published on the proposed amendments to the evaluation process for the 2019-20 ESO regulatory and incentives framework.

In general, Energy UK welcomes amending the approach of evaluating the Electricity System Operator (ESO) to a more cohesive manner rather than the current siloed seven Principled method. We believe that moving to an approach that allows for the interactions between Principles to be evaluated without allowing for incentives to be offered for the same deliverable under multiple principles is more appropriate.

We note, however, that under these proposals, Roles 1 and 2 will be worth +/- £10m, both representing two Principles each, whereas Roles 3 and 4 will be combined, representing three Principles, but the incentive worth still being +/- £10m. Although we recognise and encourage the move away from valuing individual Principles it is worth noting that this does raise concerns, as Principles 1-4 will have an incentive worth of +/- £5m each, whereas principles 5-7 will only have an incentive worth of +/- £3.3m each (reducing from +/- £4.29m). There is a concern that this approach could be deemed as de-valuing the Principles incentivising the ESO to co-ordinate across network boundaries (Principles 5 and 6), as well as, facilitating timely, efficient and competitive network investment (Principle 7). We would welcome reassurances from Ofgem and the ESO on how, under these new proposals, Principles 5-7 will maintain the existing attention and level of work effort as experienced under the existing arrangements.

If you would like to discuss further any of the above, please feel free to contact me.

Yours sincerely,

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