

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

Dear Grendon,

We welcome the opportunity to respond to your consultation on the evaluation process for the 2019-20 regulatory incentives framework.

National Grid Electricity System Operator (NGESO) becomes a legally separate entity on 1 April 2019. As the ESO we use our unique perspective and independent position to facilitate market based solutions which deliver value for consumers.

The new regulatory and incentives framework commenced in April 2018; throughout the year we have presented our Forward Plan and reporting against the seven principles. Following the conclusion of the mid-year performance review and in preparation for the publication of our draft Forward Plan 2019-21, we jointly discussed the lessons learnt from the first year of the scheme. We shared that it has been challenging to provide a cohesive view of our performance against the seven principles as the scope of the principles cut across all of our activities. An area where this has particularly challenging is role 3 facilitating whole system outcomes and role 4 supporting competition in networks, where our application of whole system leadership sits across all roles. Therefore, we welcome the proposed change to three role areas and the opportunity to present our Forward Plan, reporting and end of year performance per role. We believe this will support the end of year performance evaluation process; to support this our final Forward Plan 2019-21 will be presented against the three role areas.

We welcome the support for our proposal for the incentive award reconciliation licence change: *any differences between the incentive value recovered by the ESO from market participants during Relevant Year t , and the final incentive value determined by the Authority after the year has ended, could be reconciled in Settlement Final bills for Relevant Year $t+1$* . We look forward to engaging with you on our detailed proposals to support the licence consultation in Spring 2019 and hope this will be in place by the time of the incentive award of 2018-19 scheme in July 2019.

For further details of our view on how incentives evolve over the coming years, please see our response to RIIO-2 sector specific methodology consultation.

We welcome the opportunity to further discuss the points raised within this response. Should you require any further information or would like clarity on any of the points outlined in this paper then please contact Louise Schmitz in the first instance Louise.Schmitz@nationalgrid.com.

Yours sincerely



Louise Schmitz
ESO Regulation Senior Manager