

System operator, transmission owners, distribution network operators, generators, suppliers, traders, aggregators, consumers and other interested parties

Email: ESOperformance@ofgem.gov.uk

Date: 1 May 2019

Dear colleagues,

Ofgem Formal Opinion on the Electricity System Operator (ESO) Forward Plan 2019-21

The ESO regulatory and incentives framework from April 2019

The ESO sits at the centre of our electricity system and has a number of different roles, from the day-to-day operation of the electricity network, through to managing new network connections and longer-term network planning. We regulate the ESO to help ensure its actions align with consumers' interests.

In April 2018, we introduced a new regulatory and incentives framework for the ESO¹. This moved away from the use of targeted, mechanistic incentives towards a principles-based, evaluative incentives approach. This approach includes a set of roles and principles, designed to set clear expectations about the baseline behaviours we expect from the ESO, and a requirement on the ESO to produce a Forward Plan, following stakeholder engagement, demonstrating the activities it will undertake over the year to add additional value for consumers. In light of practical experiences, we decided to modify the ESO's regulatory and incentives framework for 2019-20² to evaluate the ESO per role area³ in order to take better account of the synergies across principles and to streamline the evaluation process. We have made a number of modifications to the ESO roles and principles guidance document⁴ and the ESO Reporting and Incentive Arrangements (ESORI) guidance document⁵ to ensure these changes can be implemented for 2019-20.

We will continue to review the effectiveness of this scheme over the course of 2019-20 and will make refinements where necessary for 2020-21. The lessons we learn from the new arrangements will also inform the design of the RIIO-2 framework for the ESO, which is due to commence in April 2021.

The ESO Forward Plan – our expectations

The ESO's Forward Plan, produced before the start of the regulatory year, should set out the ESO's longer-term vision for how it intends to drive consumer benefits under its different roles and principles. It should also set out the specific steps the ESO intends to take in the year ahead to meet these aims. The final plan should contain an unambiguous set of deliverables with clear dates and milestones.

The ESO is also required to include a set of performance metrics linked to each of the role areas. These metrics are intended to create transparency around the ESO's performance by helping stakeholders to track the ESO's progress against its Forward Plan. Each performance metric should be supported by

¹ Policy decision on the Electricity System Operator regulatory and incentives framework from April 2018: <https://www.ofgem.gov.uk/publications-and-updates/policy-decision-electricity-system-operator-regulatory-and-incentives-framework-april-2018>

² Decision on the Electricity System Operator regulatory and incentives framework for 2019-20: https://www.ofgem.gov.uk/system/files/docs/2019/03/decision_letter_-_regulatory_and_incentives_framework_for_2019-20.pdf

³ 'Role area' refers to the three groups of principles, each with a separate evaluation process:

- Role 1 evaluation considers principles 1 and 2
- Role 2 evaluation considers principles 3 and 4
- Role 3 & 4 evaluation considers principles 5, 6 and 7

⁴ ESO Roles & Principles guidance document:

https://www.ofgem.gov.uk/system/files/docs/2019/03/eso_roles_and_principles_guidance_2019-20.pdf

⁵ The Electricity System Operator Reporting and Incentives Arrangements (ESORI): Guidance Document: https://www.ofgem.gov.uk/system/files/docs/2019/03/esori_guidance_document_2019-20.pdf

performance benchmarks. These should set out and clearly justify what outcomes would constitute performance that is: under baseline expectations; in line with baseline expectations; and exceeding baseline expectations (with reference to the baseline behaviours defined by the principles).

The Forward Plan will be a key input into the end of year incentive decision. Overall, the plan should be ambitious. By that we mean:

- 1) A clear long-term strategy and vision in relation to the role area;
- 2) A comprehensive breadth/coverage of tangible steps/activities/deliverables that the ESO is intending to undertake during the year to meet its longer term vision for each role area;
- 3) A sufficient level of stretch in what constitutes expected performance levels.

The ESO must also evidence clearly how its Forward Plan meets and/or exceeds baseline expectations for each role area and the extent of additional consumer benefits its actions will create. Furthermore, the ESO also needs to demonstrate that it has engaged and responded to stakeholder feedback when consulting on the Forward Plan in order to validate the deliverables and performance metrics.

The evaluation process

The ESO Performance Panel will use the following criteria to evaluate the ESO's performance and determine a score for each role area at the end of the year: (1) ESO evidence of delivered benefits; (2) ESO evidence of future benefits / progress against longer term initiatives; (3) stakeholder views; (4) plan delivery and (5) outturn performance metrics and justifications⁶. It is important to recognise that the ESO's performance will not be evaluated solely on the delivery of its plan and/or performance metrics.

The end of year incentive decision will ultimately be determined by the Authority⁷. We expect a high level of service, based on commitments under RIIO and obligations and expectations in NGESO's licence, and incentive payments will only be rewarded for going above and beyond this baseline.

Ofgem Formal Opinion - purpose

The purpose of our Formal Opinion is to assess the ambition of the ESO's Forward Plan. This includes the extent to which the ESO has articulated a clear long-term strategy and vision for each role area, the level of coverage and stretch of the deliverables and performance metrics and the extent to which the deliverables and performance metrics go beyond, or fall below, baseline expectations.⁸ The aim is to increase transparency about our expectations of the ESO in order to drive performance in the interests of consumers. In order to do this, we responded to the ESO's consultation on its draft Forward Plan⁹ and have produced this Formal Opinion in response to the final version of the plan.

The Formal Opinion will be taken into consideration when the Performance Panel assesses the ESO's performance against (4) plan delivery and (5) outturn performance metrics and justifications. When undertaking this assessment, Ofgem's views at the beginning of the year (in the Formal Opinion) will be one relevant piece of information that will give the Performance Panel an indication of the level of ambition in the ESO Forward Plan (how stretching and ambitious the ESO's deliverables, performance metrics and performance benchmarks are). It will also be used to help the Performance Panel understand baseline expectations (the extent to which the deliverables and performance metrics for each role either meet, exceed or fall below Ofgem and stakeholders' expectations). It is worth noting that the Formal Opinion, on its own, does not equate to a financial incentive/penalty figure. The Formal Opinion forms part of a holistic, evaluative assessment.

We expect the ESO to take this Formal Opinion into consideration and respond wherever possible by providing the necessary evidence/information requested on the deliverables and metrics in its monthly reporting. Any significant changes to the Forward Plan throughout the year should be clearly signposted and published via an addendum.

⁶ Page 19 of the [guidance](#) describes the performance evaluation criteria.

⁷ For the 2019-20 incentive year, the maximum reward/penalty the ESO can achieve is ±£30million. As a default, this will be split equally among each of the three role areas (±£10m per role areas).

⁸ Page 12 of the [guidance](#) describes the purpose and content of the Ofgem Formal Opinion.

⁹ Ofgem response to the ESO's Forward Plan consultation:

https://www.ofgem.gov.uk/system/files/docs/2019/03/ofgem_response_to_eso_forward_plan_2019-21_consultation.pdf

Ofgem Formal Opinion 2019-20

The ESO published its final Forward Plan for 2019-21 on 28 March 2019 following consultation with stakeholders¹⁰. We have reviewed the final Forward Plan document and have assessed the stakeholder feedback the ESO received to its Forward Plan consultation.

Our Formal Opinion is in relation to the activities and deliverables described in the Forward Plan for 2019-20. We have provided our high level comments below and have also included a detailed assessment for each role area in the Appendix.

Long-term vision

We welcome the ESO's long-term vision for 2030 with four areas that will define success in 2025. We also note the additional narrative to explain the link between the long-term vision, deliverables and performance metrics. We consider that the long-term vision articulated in the Forward Plan demonstrates that the ESO is building on the expectations in the roles and principles guidance as well as engagement carried out on this topic last year. The ESO's long-term vision for role 1, to operate a carbon free electricity system by 2025, is a prime example of an ambitious vision. However, we think that the ESO could have provided greater clarity as to *how* it will deliver this and define success. Similarly, we would welcome further details as to how the ESO will define "competition everywhere" in 2025. We encourage the ESO to continue to elaborate further on its vision and highlight how its deliverables align with its long-term vision through its monthly reporting as this will provide greater support for its end of year evaluation.

Ambition of deliverables

We think that the plan contains some positive-sounding deliverables, which try to build on the foundations set in 2018-19. However, in order for us to provide an assessment that the ESO's plan is ambitious, we require further, clear and tangible examples of why deliverables have been chosen (including their relevance and level of challenge), especially for deliverables that have been classed by the ESO as exceeding expectations. All the deliverables put forward in the plan should include tangible outputs, wherever possible, as well as expected milestones. We appreciate that the Forward Plan contains more explicit information on where and how the ESO expects to drive consumer benefits. However, the final Forward Plan still lacks a clear and discriminate focus on how and where the most additional value can be created. The ESO has listed 17 deliverables it believes meet 'baseline' expectations and 24 deliverables that 'exceed baseline' expectations. We challenge the ESO to be rigorous and selective when categorising its activities as 'exceeding'. A more focused selection of 'exceeding' deliverables that are well evidenced would be more persuasive than multiple 'exceeding' deliverables with limited evidence. This would help to demonstrate that its Forward Plan is ambitious overall. For the avoidance of doubt, by not addressing these individual distinctions in this Formal Opinion, we are not implicitly agreeing with them.

In the absence of the information described above, **we will be monitoring *how* the activities described are delivered throughout the year to determine whether the ESO has met or exceeded baseline expectations.**

As this is the second year of our new incentive process we expect to see the ESO clearly demonstrate **how the activities proposed build and go beyond 2018-19 plan commitments.** For the ESO to be judged as going above 'baseline expectations', it should be building on past success and taking 'new' steps to deliver consumer value compared to previous years. This can include identifying a more efficient or more innovative way of approaching an existing activity that creates clear additional cost savings for consumers, developing a new solution to a system issue as a result of an overarching project or initiative or successfully progressing and delivering the next stage of a longer term initiative or innovation. Whilst the ESO has provided some detail in its Forward Plan, we think the ESO could elaborate further to explain how the deliverables and activities have evolved in order to drive further improvements and to deliver benefits. For example, under roles 3 & 4 the ESO has provided details on how the Pathfinder projects build on the 2018-19 work to include market based solutions. We would welcome greater clarity on how exactly this goes beyond the work already delivered and commitments made.

We also expect the ESO to **clearly justify the additional consumer value from deliverables that are being taken forward as a result of RIIO innovation funding.** Whilst the ESO has identified

¹⁰ ESO Forward Plan 2019-21:
<https://www.nationalgrideso.com/document/140736/download>

deliverables in its Forward Plan under role 1 and 2 that have received funding, we expect these activities to deliver additional benefits beyond the expectations consumers already have in order demonstrate ambition in this area.

Ambition of performance metrics

Overall we consider that metrics should have greater relevance to the deliverables and long-term vision, and the performance benchmarks should be more ambitious. Some metrics are focussed on demonstrating the quality of the ESO's service provision, such as the stakeholder satisfaction metrics 4, 6, 7, 16 and to some extent metric 15. Other performance metrics have a relatively narrow focus (for example, metrics measuring the timeliness of publications) and do not sufficiently cover the areas of improvement / deliverables identified by the ESO. The metrics should seek to track progress against the delivery of both the outputs specified in the deliverables and the long-term vision as well as measure the quality of the ESO's service provision. We recognise that measuring the quality of the ESO's performance can be difficult to capture through ex-ante metrics. Nevertheless, we think this would tell us more about the value created for customers (and ultimately consumers). Wherever narrower process-focused metrics are used this may result in more weight being placed on the supporting evidence collected throughout the year.

We also consider that the performance benchmarks should have been clearly specified for all of the performance metrics. We note that in a number of cases the benchmarks were adjusted in line with stakeholder feedback, but overall we consider the ESO could have been more ambitious. More generally, in order for us to provide an assessment that that ESO's plan is ambitious, further explanation and evidence is needed to show why performance benchmarks have been chosen and how metrics go beyond baseline expectations to deliver additional consumer value.

We continue to have concerns around the benchmark set for balancing costs (metric 1). This is a key metric for measuring the ESO's performance across the majority of the principles as the ESO's activities across its four roles arguably feed into balancing costs. Following discussions with the ESO when they published their draft plan and the additional narrative around the adjustment factors in the Forward Plan, we remain unconvinced that the adjustment factors selected are justified and well evidenced. Stakeholders have also raised concerns around the approach to calculate these costs. To reiterate our previous messages, we do not think the ESO has provided enough evidence or justification for why a £200m increase in the benchmark is ambitious and reflective of an ambitious plan.

Other comments on ESO Forward Plan

We appreciate the steps the ESO has taken to improve the accessibility of its plan from last year, and note that the structure and level of detail included in the Forward Plan has improved and it is easier to engage with. We also welcome the supporting case studies for each of the ESO's roles to demonstrate where the ESO expects to deliver additional consumer benefit.

We think the Forward Plan is an important step in improving transparency with stakeholders, understanding stakeholders' expectations and building confidence in the new scheme. We responded to the ESO's Forward Plan consultation, detailing our high-level views and detailed, specific comments on the deliverables and metrics. We appreciate and welcome the instances where our feedback and stakeholders' feedback was taken on board. However, we would have liked to see further changes to the plan in response to stakeholder feedback, particularly on the performance metrics. In a number of cases, we have reiterated our previous comments for the ESO to continue to consider, as we haven't seen all the expected changes in the final plan. We expect to see the ESO continue to reflect on this feedback throughout the year and incorporate, where possible, this feedback into its ongoing reporting.

Next steps

We appreciate all the work that has gone into developing the Forward Plan and the stakeholders that have engaged with the framework and have provided comments thus far.

We expect the ESO to take the comments in this Formal Opinion into account during the year and when they are developing the Forward plan for 2020-21. In a number of cases we have requested further evidence and information in relation to the deliverables and metrics. This information and justification should be provided throughout the year, wherever possible, in the ESO's ongoing monitoring. Any significant changes to the Forward plan during the year should be signposted and published via an addendum to the Forward Plan.

The end of year assessment will be based on a wider evaluation of the ESO's overall performance for each of the role areas and a demonstration of delivered or future consumer benefits. Therefore, performance must go beyond baseline expectations in order to merit and justify an incentive reward. Going forward, if the ESO is unable to develop appropriate metrics to cover the full range of its activities and roles, we will consider whether we need to revise our current approach to metric design to better demonstrate performance next year.

We strongly encourage stakeholders to continue engaging with the ESO to shape its plans and activities over the course of the coming year and beyond. If you have any feedback on the ESO's performance throughout 2019-20, including both positive examples and areas of concern, you can provide details of these to us by sending an email to our mailing list: ESOperformance@ofgem.gov.uk.

Yours sincerely,

Louise van Rensburg

Interim Deputy Director, Systems & Networks

Appendix - Assessment by role area

We have provided more detailed comments below for each role area. For the avoidance of doubt, we have clarified below which roles and principles we are referring to:

- Role 1 evaluation considers principles 1 and 2
- Role 2 evaluation considers principles 3 and 4
- Role 3 & 4 evaluation considers principles 5, 6 and 7

Role area	Principle
Role 1 – Managing system balance and operability	Principle 1: Support market participants to make informed decisions by providing user-friendly, comprehensive, and accurate information
	Principle 2: Operate the system safely and securely, whilst driving overall efficiency and transparency in balancing strategies across time horizons
Role 2 – Facilitating competitive markets	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 wholesale and capacity markets
Role 3 & 4 – Facilitating whole system outcomes and supporting competition in networks	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

We have given our view on whether the long-term vision and deliverables described in the Forward Plan meets our baseline expectations, whether the performance benchmarks have sufficient coverage and stretch to be deemed ambitious and whether there were any other specific stakeholder comments in these areas. In this section, we have focussed in on the areas where we consider improvements can be made. **To note, the Forward Plan (including the deliverables and performance metrics) is one component of the reporting and incentive arrangements. We will also consider stakeholder feedback and supporting evidence and justifications when assessing the ESO’s performance at the end of the year.**

Role 1 – Managing system balance and operability

Long-term vision

The ESO’s long-term vision for this role is to operate a carbon free electricity system by 2025. The ESO also plans to utilise resources transparently, optimising across generation, storage, demand on an equal basis, whilst also providing a clear interface for all ESO data. We think this is an ambitious vision, that builds on the 2018-19 Forward plan and has sufficient coverage of principle 1 and principle 2.

Deliverables

The ESO has chosen a number of deliverables in the areas of information provision, transparency and system operation. We note and welcome the instances where the ESO has reclassified a number of deliverables as baseline from their draft Forward Plan, notably the ‘Operability reports’ and ‘upgrade of information systems’.

We require more specific information to assess how ambitious the plan in this area is overall. Specific comments include:

- **Forecasting** – We welcome the proposals to publish more granular forecasting information to the market, but it is still not clear how deliverables go beyond what was developed in 2018-19.
- **Open data** - Stakeholders were pleased to see deliverables relating to open data but still feel that the ESO can increase its scope from the current commitments in the plan. For example, stakeholders would like to see the ESO set out long and short term requirements of the system and actions the ESO could take. We note the additional detail provided in the final plan and we encourage the ESO to make as much progress as possible in this area over the course of the year. Generally, greater transparency around balancing actions and data is a key area that stakeholders have requested in the past.
- **Addressing operability issues (roll out of Loss of Mains Protection setting)** – We note that there haven’t been any changes to this deliverable and it remains an exceeding deliverable. This work is associated with a long-running modification process and addresses operational issues that have been known for many years. Given the costs implications for consumers of not

progressing this work on an urgent basis, we would expect an ESO with a focus on maintaining an economic and efficient system to make this work a very high baseline priority.

- **Future of ENCC** – We note that this remains an exceeding deliverable even though dates have been pushed back. We expect to see clear tangible evidence of how this is delivering benefits in order to be deemed as exceeding baseline expectations.

The ESO has included deliverables relating to system operation security in the Forward Plan under principle 2. Whilst we think these are positive activities, the extent to which the activities could exceed expectations will ultimately depend on the overall quality of the engagement and the outputs that are delivered.

Performance metrics

Overall we believe the ESO could have gone further to improve the ambition of the current performance metric benchmarks and include additional relevant metrics that would be more reflective of performance against the role. The ESO has not included stakeholders’ surveys on the quality of the deliverables under this role, which stakeholders have asked for as part of the Forward Plan consultation. We strongly agree that this would have been a helpful addition to measure the ESO’s performance in meeting the deliverables and long term vision and we encourage the ESO to reflect on this feedback and include this for the coming year. For example, the ESO should consider a stakeholder survey on the transparency of balancing decisions to measure progress in this area.

We have provided more specific comments below:

Metric	Our assessment
<p>*Metric 1 – Balancing cost management</p>	<p>As highlighted in our main letter, we still have concerns about this metric. Stakeholders have also expressed concerns with the approach to calculating the benchmark and adjustment factors. Some stakeholders suggested a simple 5 year historic average could be used as a benchmark for costs. We think the ESO has not provided robust evidence to explain why a ~£200m increase from last year is justified. At this point, after discussion with the ESO, we do not think the adjustment factors selected are appropriate. We also do not think the ESO has provided enough evidence or justification for why a £200m increase in the benchmark is necessary and why this is reflective of an ambitious plan. Thus, without further justification to support the benchmark and adjustment factors, we will rely further on the 5 year historic average of costs as a benchmark for balancing costs for 2019-20.</p> <p>We also note that the ESO has not included performance benchmarks for this metric. Therefore, it is unclear what kind of ambition the ESO has to create savings for consumers next year.</p>
<p>*Metric 2 – Information Provision Scorecard</p>	<p>The ESO has revised this metric to include Firm Frequency Response (FFR) information provision and noted it is a baseline metric.</p> <p>This metric appears to focus on the timeliness of publications, in order to demonstrate the ESO is meeting certain baseline obligations. We agree with stakeholders that the accuracy, quality and usefulness of the information published will be more important in measuring how the ESO is driving additional value in this area.</p> <p>As stated in our consultation response, the ESO should consider a stakeholder survey on information provision which could help to demonstrate the quality of delivered improvements to information provision. This would tell us more about the positive outcomes delivered for stakeholders and consumers.</p>
<p>*Metric 3 – Energy Forecasting Accuracy Metric</p>	<p>The ESO has added further detail to explain the methodology and has included performance benchmarks for this metric.</p> <p>Stakeholders expressed concerns in their responses to the consultation about a lack of progress being made to improve accuracy forecasts. Some stakeholders thought that the ESO should be improving its forecasting capabilities in response to the changing system as part of its RIIO-T1 price control, and so there is a higher bar for an incentive reward.</p>

We share stakeholders concerns over the progress of forecasting under this metric and reiterate our previous comments that the ESO should do more to justify why the methodology chosen is ambitious. The ESO should explain the rationale for only targeting 6 months of accurate forecasts, and why this change has been made from the previous plan. Ultimately, we consider that forecasting performance across all periods is relevant to consumer outcomes, and indeed, most value can arguably be derived from making improvements in the most difficult months.

Role 2 – Facilitating competitive markets

Long-term vision

The ESO's long-term vision describes how it will develop balancing service markets and promote competition in wholesale and capacity markets to operate a carbon free system and deliver economic security of supply. We note the specific aims to transform access to the Capacity Market by 2025, develop codes and charging arrangements so that they don't act as a barrier to change and to ensure equal access to ancillary service markets and the Balancing Mechanism through a single integrated markets platform by 2023. We think this is a clear strategy that builds on the ESO's vision from last year and has sufficient coverage of principle 3 and principle 4.

Deliverables

We welcome the further work planned by the ESO to deliver reforms to its balancing services and drive targeted improvements to market arrangements, particularly the deliverables described under Principle 3. We note that most of the deliverables stayed the same after the ESO's Forward Plan consultation and so we reiterate our comments from our consultation response. We agree with stakeholders that many of the activities could be justified further in order to demonstrate that they are sufficiently challenging and ambitious. Our specific comments include:

- **Bilateral contracting** - We consider the ESO could have gone further in their ambition to increase transparency around bilateral contracts. Stakeholders raised their concerns around the lack of deliverables and metrics in the Forward Plan around bilateral contracts. At this point, we think the ESO could have done more to respond to some of the stakeholder feedback and commit to further changes. We note the commitment in metric 5 to publish aggregate cost information on tenders versus bilateral contracts, but we're concerned this doesn't go far enough to provide confidence to investors and new providers that the ESO is serious about embracing change in this area. To achieve the ESO's aim for 2025 of 'competition everywhere' we strongly believe the ESO should provide clearer evidence of what's being done in practice to increase transparency around these contracts and make tangible progress towards the wider use of more market-based mechanisms in 2019-20, alongside the various product roadmaps. Furthermore we disagree with the ESO's comment that a benchmarked performance metric related to reducing bilateral contracts would limit the ESO's ability to procure at the lowest cost to consumers.
- **Intermittent Generation** - We maintain that as part of the approval for GC0063, which introduced the Power Available signal in January 2015, there should be a reasonable expectation that the ESO will take the follow up steps necessary to ensure this signal could be used in practice. We note that while the timelines are more ambitious for part of this deliverable (phase 2a), we require further justification for why these activities would exceed expectations.
- **Alternative approaches to restoration** - We still require more explanation for how this work goes beyond innovation funding and we look forward to seeing how this work is progressed in this area and how benefits are delivered in order to demonstrate that the ESO has delivered beyond baseline expectations.
- **Market reforms** - Stakeholders have also called for the ESO to improve the timeliness of its activities under this area. When dates have been changed, either advanced or set back, we would like the ESO to explicitly reference this to increase transparency and confidence for stakeholders.
- **Facilitating Code change** - We still think the ESO could do more to drive forward code change and proactively update the code process. The Forward Plan could better articulate how these deliverables help to meet the ESO's long-term vision, what types of measurable outcomes/benefits will be achieved and the extent to which they have been shaped by stakeholder input.

Performance metrics

The ESO's metrics could have had wider coverage and greater stretch. At the moment, they capture a relatively narrow set of processes under Principle 4 and we encourage the ESO to reconsider the

outcomes described in our guidance under this role. We will be relying on supporting evidence throughout the year and expect the ESO to demonstrate how it has increased coverage of its role in this area and delivered outcomes beyond the metrics in order to meet our expectations. We encourage the use of stakeholder satisfaction surveys, but it is important that the way in which the metrics are measured and executed is in line with stakeholder expectations throughout the year.

Metrics:

Metric	Our comments
'Metric 4 - Provide Journey Feedback'	We think this is a relevant metric to include. However, the ESO should provide more clarity around how the overall score for the metric is calculated to enable us to comment on its ambition. We also believe the ESO should provide greater justification for the benchmarks chosen.
'Metric 5 - Reform of balancing services market' part 1	<p>Stakeholders were supportive of the proposed approach but had some concerns that the criteria is broad and lacking definition. Stakeholders also thought the timelines were conservative. We echo these points and would like further detail as to what 'deliverables' the metric is tracking the completion off and how the 'shift in service accessibility' will be measured.</p> <p>If these deliverables relate to commitments in the product roadmaps, then we strongly question the ambition of the metric, particularly as in 2018-19 the ESO targeted full delivery of the roadmap. At this point we do not consider over 75% to be a stretching benchmark.</p>
'Metric 5 - Reform of balancing services market' part 2	<p>We welcome the inclusion of this metric as we believe it is relevant and supported by stakeholders. However we think the ESO can go further as it currently doesn't meet the requirements of a performance metric as there are no specific benchmarks, neither does it set out what the current cumulative spend is for each procurement approach.</p> <p>We do not agree with the justification provided for why the ESO cannot set performance benchmarks for this metric.</p>
'Metric 6 - Code Administrator: Stakeholder satisfaction'	We think this is a relevant metric to track, and we welcome the additional clarity provided on how the ESO will measure performance. Performance benchmarks need to be specified clearly, in particular, what the ESO means by 'an increase' in overall performance and similarly 'a decrease' in overall performance. The ESO should also justify why the benchmarks are the same for performance that is 'in line' and 'exceeds' expectations and justify the stretch of this metric by providing narrative as to how and why the metric has changed from last year. At this point it seems there has been a reduction in ambition compared to the 2018-19 plan.
'Metric 7- Charging Futures '	The ESO has provided more information on the benchmarks for this metrics. Ideally, stakeholders should have had the opportunity to comment on this detail. Nonetheless, we think this is an appropriate metric to measure the ESO's performance as the lead secretariat of the charging futures forum and we currently think the stakeholder feedback questions are sufficient.
'Metric 8 - Month Ahead Forecast v outturn annual BSUoS'	Overall our comments remain the same from our consultation response and align with stakeholders that these metrics are not ambitious. We note that the ESO did not change these metrics in response to feedback. We would like to better understand what the ESO is trying to demonstrate with these metrics by explaining what steps in practice it needs to take to improve BSUoS forecasts and why this is a challenging initiative.
'Metric 9 - Month Ahead Forecast v outturn annual BSUoS'	<p>Without further clarification, our view is that the benchmarks appear very wide. The ESO says it has selected these benchmarks because it believes the accuracy of these forecasts is subject to significant outside factors and that its "incentive performance could easily be lost by an event" outside of its control.</p> <p>At this point we are unclear on the value of these metrics in tracking the ESO's performance against the plan. In particular, because the plan deliverables relate to raising awareness of future charges rather than improving their accuracy.</p>

Role 3 & 4 – Facilitating whole system outcomes and supporting competition in networks

Long-term vision

The ESO's long term vision describes planning, development, investment and operation of Great Britain's networks. This will be optimised on a whole system basis, irrespective of ownership boundaries. Solutions to operational challenges will be open to a full range of participants, facilitating both market and asset solutions. We welcome this vision and consider this demonstrates sufficient coverage of principles 5, 6 and 7.

Deliverables

Overall we think the ESO has included a number of promising initiatives under these roles that have the potential to drive significant benefits. We also think the ESO has more clearly articulated how these initiatives build towards its vision for 2025 and beyond. However, we agree with stakeholders that the ESO could go further to demonstrate how the projects under this role will translate into tangible changes to systems, IT infrastructure and processes in practice.

Generally, we support the ESO taking a rigorous and logical approach to facilitating the best overall solutions to energy system challenges. We also recognise the challenge and complexity in driving forward new solutions when this requires revisiting existing frameworks and ways of working. Nevertheless, given the growing and material consumer costs associated with operational challenges and system constraints, this is an area where we would like to see greater urgency from the ESO. Increasing the pace of some of the projects in this area could realise significant consumer savings which could far outweigh the additional resource cost. It would also give stakeholders greater confidence that the ESO is serious about achieving its vision of carbon-free, fully competitive system operation by 2025.

Specific comments include:

- **Pathfinding projects** - We agree with stakeholders that the pathfinder projects sound promising to deliver a whole system approach and have the potential to facilitate significant future benefits. However, we think the ESO should be more ambitious by increasing the speed of these changes and translating the learnings from trials into tangible changes to systems, frameworks and processes in practice.
- **Deeper system access planning** – We welcome the inclusion of these additional deliverables in response to feedback the ESO received on its draft plan. Whilst it is difficult to determine the ambition of these initiatives up front based on information included, we note that new metric 12 will help track performance and provide evidence of value created as the year progresses.
- **Whole system data exchange** - Stakeholders welcomed increased engagement for this deliverable. However, it was highlighted in several responses that this must be reciprocated by the ESO as data sharing is needed between all network companies.
- **Whole electricity system thought leadership** - Stakeholders also thought the ESO should provide more detail on how they will provide whole electricity system thought leadership. We expect the ESO to move from thought pieces, position papers and summary documents towards tangible outputs which deliver whole system benefits.
- **Timelines** - We note that a number of deliverables have been pushed back under this role. For example, the timeframes for some activities under ongoing Regional Development Plans have been moved to Q4 of the regulatory year and even in to 2021-22. When dates have been changed, either advanced or set back, we would like the ESO to explicitly reference this to increase transparency and confidence for stakeholders.

Performance metrics

We welcome the progress that has been made to the metrics under this role, in particular the additional detail on measuring the consumer benefit created through the NOA process. We also think there is improved coverage under this role to capture the ESO's role of supporting competition in networks. However, we think many of the benchmarks could have been more challenging, supported with clearer evidence and in some cases better specified.

We understand that developing appropriate metrics for longer-term focussed activities and principles is challenging. If appropriate metrics are difficult to achieve for this principle, then this places even greater emphasis on a clear, well evidenced set of deliverables.

We have provided more detail below for each metric:

Metrics

Metric	Our comments
'Metric 10 - Whole System, unlocking cross-boundary solutions'	<p>We believe measuring the volume of additional distributed energy resources (DER) connected is a suitable metric and is relevant to the work undertaken in relation to this role. Most stakeholders welcomed this metric with caveats that there should be greater clarity on the performance assessment (the current DER MW seeking to connect and compare it to an ex-post assessment of DER contracts signed to connect). Some stakeholders called for this metric is be expanded to include volumes that have been enabled by the RDPs & Volumes contracted to participate in transmission constrain management.</p> <p>As this is an ex-post metric, it is not possible to provide an upfront opinion on its level of stretch or ambition.</p>
Metric 11 – System access management	<p>The ESO has provided some further explanation and reasoning for this metric, but we think the ESO could have been more ambitious with this metric. To reiterate our previous comments, reducing the number of planned outages that are cancelled by the ESO due to process failure appears to be a baseline activity. The ESO must ensure it is seeking to optimise <i>overall</i> system costs rather than focussing on minimising planned outages to meet a target.</p>
Metric 12 – Customer Value Opportunities	<p>The ESO has introduced a metric that plans to capture the BSUoS and customer savings from the performance of ESO network access planning process in transmission outage optimisation.</p> <p>We welcome the ESO developing this metric in response to our previous feedback. However at this stage, we are unable to comment on the ambition of this metric, as we have not seen information to justify the benchmarks chosen. It is also difficult to assess the value of the metric given it is measured in units of energy rather than value.</p> <p>We would welcome further clarity on how and why benchmarks have been set and the relative consumer benefits associated with exceeding a target (either real or estimated, direct or indirect consumer benefits).</p>
Metric 13 – Connections Agreement management	<p>This metric has not changed from the draft plan. The ESO has not improved the ambition of this metric nor provided clear evidence to prove that updating >90% of agreements within nine months is challenging. It is not clear what would be involved in practise to improve performance from 86% to 90%, and why this is challenging. At this point in time we question whether this metric is relevant to the deliverables under this principle and role and can be used as a measure of the development of a whole system approach.</p>
Metric 14 – Right first time connections	<p>This metric has not changed from the draft plan. We reiterate our comments from our consultation response that we do not think this metric is ambitious.</p> <p>We note there was a deliverable in the 2018/19 plan to 'get 100% of connection offers right first time'. Given this previous commitment, and that fact that the proposed target is only 1% greater than current performance, we believe this metric is very unambitious.</p>
Metric 15 – NOA Consumer benefit	<p>This metric seems like a reasonable measure as the NOA is a key whole system driver and the ESO's activity in this area can create significant consumer benefits. The metric has three parts:</p> <ul style="list-style-type: none"> - Consumer benefit: We think this is a useful value to track. We think the benchmarks chosen are relatively narrow and that achieving any percentage value greater than previous the year does not appear ambitious. However, we also recognise that this metric is subject to several factors outside of the ESO's control. We therefore agree there will be a large onus on the narrative reported alongside this metric. - Cost Benefit analysis: As this is ex-post we cannot comment on ambition.

	<ul style="list-style-type: none"> - Consumer benefit from Ad-hoc CBA: We disagree that conducting a CBA automatically exceeds expectations because it is not a detailed licence requirement. The ESO has wider obligations and principles that set expectations related to whole system working. Based on the information available, we are unclear why conducting one more small-scale CBA than previous years would be ambitious (particularly as we are unclear what is involved in producing this in practice).
Metric 16 – NOA Enhancing Communication	<p>The ESO plans to engage with stakeholders on all its Network Planning publications. As this is the first year of this engagement, this metric will be used to determine a baseline level of satisfaction.</p> <p>We welcome the ESO including this measure. However, we cannot comment on its ambition as it is not sufficiently defined.</p>