

## SO:TO ODI Governance document

| Questions   | Comments   |
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| <p>1) Do you agree with the reporting requirements set in the governance document for the ETOs and the ESO including the details required, the scope of reporting and timing?</p> | <ul style="list-style-type: none"> <li>• In the draft SO:TO Optimisation Governance Document (the <b>Document</b>), contents of the reporting seem acceptable and sufficiently specific.</li> <li>• The Document states the TOs must submit a draft and final report in the format specified in Annex B, however it does not specify to whom and whether this 'report' would be exclusively multiple submissions of Annex B or is expected to include background, narrative, conclusions etc. It is recommended this specifies contact details within Ofgem to avoid confusion. If the intent is to submit multiple records of Annex B then this should be clarified and replace the term 'report' accordingly (e.g. 'a record of each submission as per Annex B' or 'portfolio of enhancements as per annex B'). This will allow licensees to best meet Ofgem's intentions for the review.</li> <li>• The timing of the final report leaves no room for any consultation or analysis of the reports before the commencement of year 3, meaning there may be a gap in activity or a period of increased risk to TOs (although activities should still be fundable through STCP11-4 just with a level of retrospective incentive return). A suggestion would be to either bring forward the reporting a few months or make a provision to grant an interim ODI extension option of say 6 months to end Sep 23 based on the year 1 report.</li> <li>• Given solutions could span across financial years and the document makes it clear that rewards cannot be claimed until delivery, this could lead to no incentive being paid if the trial were to end shortly before work is completed (either on the initial trial timeline or if it is extended). We request that Ofgem takes a proportionate approach here and that the trial is extended to cover any solutions which are in train and due to be delivered within approximately 6 months of the trial close date. Could this be recognised in the Document?</li> <li>• We note our understanding that delivery of the solution, as set out in SpC 4.7.3 refers to the completion of the work that will lead to the constraint saving being completed.</li> <li>• We note that the cap for the incentive is framed as being annual. However, we note that this may have some unhelpful consequences given the nature of solutions involved. If a project runs from Feb 2022 – May 2022 the enhancement may be across 2 regulatory years. If the cap is reached in year 2, but not in year 1 but the reward cannot be claimed until year 2, this leads to lost opportunity. We do question whether this was the policy intent.</li> </ul> |
| <p>2. Do you agree with the methodology of the ESO's calculation of both the ex-ante and the actual savings in constraint costs?</p>  | <p>Yes, we agree.</p>  |

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| 3. Is there any additional information that could assist the Authority in assessing the consumer benefit or issues of this ODI?  | N/A  |
| 4. Do you agree that this SOTO Optimisation ODI Governance Document should continue to be in place during the assessment period to avoid any gap in governance if the Authority were to agree to continue to roll out the incentive for the remainder of the PC? | Yes, it would be useful to clarify if the document can be reviewed or maintained through the regular NAP forum.  |
| <b>Other areas of concern</b>  | <p><b>General</b> - We note that STCP11-4 does not currently apply to NGET and understand that a code modification is being brought forward to change this. Clearly the modification should be completed as soon as possible.</p> <p><b>Context</b> – The words “<i>as if it formed part of their licence</i>” should be deleted. Special Condition 4.7 states that the licensee must comply with this document but it does not state “<i>as if it formed part of its licence</i>”. The inclusion of these words elevate the obligation to comply with the Document to a licence condition and this is not the status of the Document. The Document is not written with the precision and clarity of obligation that is consistent with a licence condition. In addition, the document falls within the definition of “<i>Associated Document</i>” under the licence. The Document is distinguishable from the PCFM and PCFH where the licence (Special Condition 8.1.2.) states that these documents do form part of the licence. In addition, the PCFH sets out a hierarchy applicable to Associated Documents, which are lower in the hierarchy than licence conditions and do not have the same effect.</p> <p><b>Para 2.1</b> – One of the core purposes of the Document is to provide “<i>the definition of ‘SOTO Optimisation Solutions’</i>” (SPC 4.7.8(a)). We understand that this is the purpose of para 2.1, but propose that this should be more clearly set out.</p> <p><b>Para 2.4 and 4.3</b> – The Document sets out that Ofgem will consider whether the initiatives could have been identified as business as usual (<b>BAU</b>). We consider that the term BAU is too open for interpretation and would benefit from further clarification.</p> <p>We would consider going beyond business as usual in this context as any activity which:</p> <ul style="list-style-type: none"> <li>• enables capability beyond the Services Capability Specification (STC C-3) and;</li> <li>• is not otherwise funded through another mechanism or baseline in RIIO-T2.</li> </ul> |

**Para 2.5** – We suggest changing this to “*will need to*”, to prevent it being mistaken for a licence obligation.

**Para 2.6** – We suggest that this should be deleted. It is not consistent with the Final Determinations or the licence condition for Ofgem to end the trial during the trial period.

**Para 2.6 and 4.3** – The document makes reference to either Ofgem or the ESO identifying “any adverse behaviour by the ETOs such as suboptimal planning of outages”. An optimal plan is always the intention but hindsight and events outside of any parties’ control can make plans appear sub-optimal. We request that Ofgem and the ESO take this into account in any assessment and take a proportionate approach in identifying suboptimal planning.

**Para 3.4** - This references both a ‘draft’ report and an ‘informal’ report. We propose that both are replaced with an ‘interim’ report

**Para 4.2** - The document does not make clear whether judgements on the effectiveness of the trial and continuation of the ODI would be considered as a shared incentive or judged independently between each TO. For example, if at interim it is proved effective for 2 TOs but not in for the 3<sup>rd</sup>, would the ODI be continued for 2 out of 3, continued for all parties or discontinued for all?

**Para 4** - The document also only states that the decision would be made whether to cease the trial or extend. Ofgem has made a different calculation for the cap for NGET compared to other TOs. Will Ofgem reconsider the terms of the ODI following the trial? (I.e. to increase/decrease or change the cap calculation.)