



Making a positive difference  
for energy consumers

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Date: 18 September 2020

Dear stakeholders,

## **Call for evidence on ESO's mid-year performance 2020-21**

### Background

The regulatory and incentives framework for the Electricity System Operator (ESO) encourages the ESO to maximise consumer benefits across the full range of its activities. The arrangements include a defined set of roles for the ESO<sup>1</sup>, a requirement to develop forward plans (in conjunction with industry consultation), the publication of regular performance reports, an ESO Performance Panel and a move towards a broader, evaluative performance assessment (with associated financial incentives).

A central part of the new scheme is the independent panel of experts who challenge and assess the ESO's performance. The panel meets to consider ESO performance at points throughout the regulatory period. At the mid-year review (MYR) stage the panel will assess the ESO's performance over the first six months of the year; identifying areas where the ESO is performing in line with baseline expectations, where it is exceeding baseline expectations and where it is not meeting baseline expectations. This will give the ESO early feedback on its performance and the opportunity to act on this and make any necessary improvements during the remaining six months of the year.<sup>2</sup>

### Stakeholder views

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<sup>1</sup> ESO roles and principles 2020-21:

[https://www.ofgem.gov.uk/system/files/docs/2020/03/eso\\_roles\\_and\\_principles\\_guidance\\_2020-21.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/03/eso_roles_and_principles_guidance_2020-21.pdf)

<sup>2</sup> Further detail on the ESO regulatory and incentives framework can be found in the ESORI guidance document: [https://www.ofgem.gov.uk/system/files/docs/2020/03/esori\\_guidance\\_document\\_2020-2021\\_final.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/03/esori_guidance_document_2020-2021_final.pdf)

Stakeholder insights are a key input into the new arrangements and form one of the criteria the panel will use to assess the ESO's performance. We want to utilise the knowledge and experience of a wide array of industry parties and independent experts in order to gain a comprehensive picture of the ESO's performance. This is vital for overcoming the information asymmetries between the ESO and other parties, including Ofgem.

We are publishing this call for evidence to request stakeholders' feedback on the ESO's performance across all of its roles from April 2020 to date.

We would appreciate feedback on any performance area (see Annex 1 for a description of the ESO's roles and activities). This may include activities where you believe the ESO has met or exceeded baseline expectations and/or the activities where you may have concerns that baseline expectations are not being met. We are aware that our regulatory processes place resource requirements on energy companies and are mindful of the resource limitations on consultees during the COVID-19 pandemic. We wish to work with energy companies to manage these burdens. Therefore, we are happy to receive feedback in written format, but we are also more than happy to receive feedback via more informal routes (eg by email, phone etc). We would appreciate feedback **by 16 October**, but will seek to consider any evidence received by the end of October.

#### Next steps – mid-year stakeholder event

Due to the current social distancing measures, the ESO's mid-year stakeholder event will be held virtually in November. This online event will be an opportunity for the ESO to share its own evidence and views on its performance during the first half of the year. Stakeholders will have the opportunity to raise questions and provide direct feedback to the ESO with the ESO Performance Panel in attendance. We will communicate further details in due course, including how to register attendance. After the mid-year stakeholder event, the panel will convene to make its mid-year assessment of the ESO's performance and a report will be published detailing the panel's mid-year assessment.

We look forward to hearing from you. If you have any questions on the contents of this letter, please contact us at the email address listed above.

Yours sincerely,

Maryam Khan

**Senior Manager, ESO Regulation**

## **Annex 1 – ESO’s roles**

For the 2020-21 incentive year, we decided to evaluate the ESO’s performance against each role<sup>3</sup>. The three roles and specific areas of interest<sup>4</sup> are:

<b>Role</b>	<b>Areas of interest</b>
Role 1 - Control centre operations	<ul style="list-style-type: none"> <li>• Operating the system (wider access, expanding dispatch, power available)</li> <li>• Coordinating with network operators on operational decisions and outage changes</li> <li>• Short term energy forecasting</li> <li>• Managing and sharing system data and information</li> <li>• Restoration and emergency response</li> </ul>
Role 2 - Market development and transactions	<ul style="list-style-type: none"> <li>• Balancing and ancillary service market design (product roadmaps for response and reserve implementation, product roadmap for reactive implementation, Pan European standard products TERRE and MARI, power responsive)</li> <li>• Service procurement and settlement</li> <li>• Revenue collection (electricity network charging)</li> <li>• Policy advice and delivery of market framework changes</li> <li>• Code administrator</li> </ul>
Role 3 - System insight, planning and network development	<ul style="list-style-type: none"> <li>• Long term forecasting, energy scenarios and identification of network needs (insights documents)</li> <li>• Network Options Assessment</li> <li>• Pathfinder projects (stability pathfinder, Mersey voltage pathfinder, Pennines voltage pathfinder, constraint management pathfinder)</li> <li>• Regional Development Plans</li> <li>• Early network competition</li> <li>• Managing connections and generator access to the network</li> <li>• Whole system operability and thought leadership (loss of mains protections setting programme, voltage management across the transmission-distribution interface, Open Networks)</li> </ul>

<sup>3</sup> The ESO’s Roles and Principles:

[https://www.ofgem.gov.uk/system/files/docs/2020/03/eso\\_roles\\_and\\_principles\\_guidance\\_2020-21.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/03/eso_roles_and_principles_guidance_2020-21.pdf)

<sup>4</sup> The ESO’s deliverables for 2020-21 are listed in its Forward Plan addendum:

<https://www.nationalgrideso.com/document/173131/download>