

Electricity System Operator (ESO) RIIO-2 Event - 2nd October Q&A

On the 2nd October, the ESO held a stakeholder event in London. The purpose of the event was to present an overview of our draft RIIO-2 Business Plan and demonstrate how we have listened to your feedback in its development. We presented an overview of the business plan and facilitated more detailed discussions on:

- what we will deliver over the two years of our business plan
- how our proposals will create value for consumers
- how we will measure our success.

Below we have collated the questions we received throughout the day, with answers.

Overarching

You've set out a series of ambitions. How do you know your plan is actually ambitious and will meet them?

Stakeholder feedback has been crucial in enabling us to set a level of ambition that will deliver the outputs that stakeholders want, and lay the foundations for the 2050 net zero target. We will track the progress of our plan through regular performance reports to Ofgem and industry, and our proposed metrics will provide a quantitative measure of how we are delivering the plan.

Where is collaboration with industry in the business plan? How will you work with us?

Collaboration is at the heart of our business plan and is fundamental to its success. Whether developing markets, new ways of working across traditional boundaries, or developing new IT tools, we need to further develop our collaborative ways of working so that we can collectively deliver the right outcomes for consumers. We have collaborated with industry to develop the business plan through numerous stakeholder engagement events, meetings, workshops and with the input of our dedicated ESO RIIO-2 stakeholder group (ERSG). Going forward we are keen to maintain the input of an evolved version of the ERSG. It would have an ongoing role in challenging the development of our business plans, potentially reviewing our performance and challenging our level and breadth of stakeholder and consumer engagement on an ongoing basis. For specific IT-led implementation programmes, we have set up a cross-industry Design Authority to involve stakeholders in the development of our IT capability.

Your ambition seems only to apply for 5 years, which is a fundamental fault of RIIO-2. Real solutions need longer vision. How are you addressing that?

Alongside the 5-year view of RIIO-2, our business plan includes a longer-term vision to 2030. Our proposed outputs and deliverables are in the context of this longer-term view.

This is a huge challenge - do you really have the bandwidth to sort out your own ambition / needs AND lead the GB debate? Surely best you focus on own issues?

We have listened carefully to stakeholders and have proposed a set of outputs and deliverables that meet their needs. In terms of delivery, our plan includes our estimate of the resources required and how we have justified these.

How are you going to ensure ambitions and commitments under the business plan is delivered in the set-out timelines?

The timelines presented in the business plan are based on our realistic assessment of the time the activities will take, based on experience from the past and accounting for the new approach to IT delivery outlined by Nikki Jamieson, Head of ESO IT, at the event. It should be noted that many of our proposals will require coordination and collaboration across industry, to ensure that our developments meet the needs of others. We will need to engage appropriately to maintain the pace of delivery that we have set out in our plans.

Theme 1

Would the ESO have the readiness to operate zero carbon before 2025? What would this involve?

For us to be able to operate zero carbon by 2025, we need to ensure our systems, processes and markets for balancing services are designed so that we can maintain secure system operation using zero carbon sources of generation and demand. Our Business Plan deliverables are designed to enable us to do this, with redesigned markets to procure services from zero carbon technologies, and control systems and tools to allow for their dispatch, settlement and reporting. Timescales contained within the plan are designed to do this by 2025, and will require close collaboration across industry to enable us to deliver.

Theme 3

Could you expand on where you see the problems in the SQSS that need to be fixed? Are you proposing changes to the level of system security?

We will review the planning provisions of the SQSS to ensure they are compatible with the new approaches we are developing through our Pathfinding Projects, for example the increased use of probabilistic modelling techniques, and of operability-based alternatives to traditional asset investment.

How does the ESO's SQSS review interact with the government's electricity standards review?

BEIS's review of engineering standards will have concluded prior to the commencement of RIIO-2, so we will be able to account for its conclusions and recommendations.

SQSS: in light of last 2 major blackouts, when review happens will single-infeed-loss risk be reassessed in favour of multiple-infeed-loss risk?

SQSS: will targets for volumes of response and reserve levels be increased following 09 Aug event?

We await the outcome of the E3C and Ofgem investigations into the events of 9th August, and will work with industry to address issues raised as a result.

NGET and DNOs must be allowed to invest ahead of need, or the costs and timescales of new grid connections prevent the required investment. Will they? How much?

There will always be a balance of risk between anticipatory investment and stranding of assets. We will continue to work with Ofgem and Industry to consider how best to manage this balance, for example through the RIIO Strategic Wider Works process.

Cost Benefit Analysis

Lots of numbers and assumptions but how do these stack up against alternative options that were considered? Are these best the best value options?

We considered alternative options earlier in the process and tested these through stakeholder engagement, as well as using our technical and commercial expertise to rule out options that were unfeasible or clearly had lower net benefits than our preferred option. For more details please see Annex 2- CBA Report.