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Kayte O'Neill
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11 February 2019

Dear Ms O'Neill,

ELEXON's response to your consultation on the Electricity System Operator (ESO) Draft Forward Plan 2019-21

We welcome the opportunity to respond to the above consultation.

As you are aware, ELEXON is the Code Manager for the Balancing and Settlement Code (BSC). We are responsible for managing and delivering the end-to-end services set out in the BSC and accompanying systems that support the BSC. This includes responsibility for the delivery of balancing and imbalance settlement and the provision of assurance services to the BSC Panel and BSC Parties. We manage not just the assessment/analysis, but also the development, implementation and operation of changes to central systems and processes.

In addition, through our subsidiary, EMR Settlements Ltd, we are the Electricity Market Reform (EMR) settlement services provider, acting as settlement agent to the Low Carbon Contracts Company (LCCC), for Contracts for Difference (CfD) and Capacity Market (CM). EMR services are provided to the LCCC through a contract and, like the BSC, on a non-for-profit basis.

The views expressed in this response are those of ELEXON Ltd alone, and do not seek to represent those of the BSC Panel or Parties to the BSC.

If you would like to discuss any aspects of our response, please don't hesitate to contact me at steve.wilkin@elexon.co.uk.

Yours sincerely,



Steve Wilkin
European Coordination Manager

cc. SO Regulation Team, Ofgem
(electricitySOreform@ofgem.gov.uk)



ESO Draft Forward Plan 2019-2021: ELEXON's RESPONSE

1. General comments

- 1.1 In this year's Forward Plan we would like to see ESO give more attention to working collaboratively and in partnership with their stakeholders, and in particular ELEXON, in areas where that would benefit the end consumer. We believe that it would be beneficial for the Forward Plan to explicitly record where such collaboration/joint working is foreseen. To demonstrate where ESO is looking to work with, and consider feedback from, stakeholders, but also allow stakeholders to plan their resources and prepare to participate fully.
- 1.2 To understand and demonstrate the value of working with stakeholders, we suggest that there should be metrics relating to the extent that, when appropriate, the ESO undertakes joint working with others, including with ELEXON.
- 1.3 We would welcome thoughts from ESO as to how they could determine the value added through the contribution of stakeholders and what the implications have been on ESO's performance and also the value that stakeholders are providing.

2. Specific Areas where we would like to see changes in 2019/2021

Planning for collaborative working

- 2.1 Giving more detail to the above points, we were surprised that the ESO Forward Plan does not include plans for any wider partnerships/collaborative working with stakeholders, save than with UKPN and DNOs (for new reactive power market with distributed energy). We believe the Forward Plan should be more encompassing and specify who ESO intends to work with during 2019-21, why, and where applicable what benefits wider stakeholder engagement are expected to bring. From ELEXON's perspective we see the activity of stakeholder engagement equipping the ESO with a wider perspective of what their work means for their stakeholders, but also gives the ESO an ability to tap into a wider understanding of the market and experience.
- 2.2 Coupled with engaging with wider stakeholders, including ELEXON, we would like to see ESO giving due credit/acknowledgement when achievements have been a joint effort or only made possible (at all, to time, to budget) with the support of stakeholders. This will serve to demonstrate that ESO are working with wider stakeholders, but also show the value and benefit of doing so. For example, in the recent thought leadership piece on widening access to the Balancing Mechanism (as part of BSC Modification P344 and beyond) a lot of the work was done by ELEXON, but was recognised. If the ESO were to recognise the work done by ELEXON and how ESO had built upon it, it would have served to demonstrate that ESO are taking into account wider market developments and co-ordinated with others to the benefit of the whole market.
- 2.3 Therefore we suggest that the ESO Forward Plan should set out the areas ESO will look to collaborate on, which stakeholders it will involve and how (deliverables and estimate of resource expected), and over what period. And then ESO should plan to monitor these collaborations and how well it planned for them.

Recognising collaborative working

- 2.4 We also suggest a new ESO metric that shows the respective resource (man days) spent both by ESO and by its external collaborators on significant areas of work. This would help ESO, Ofgem and industry to understand the effort that is going into support its achievements, and by whom, and hence help ascertain the consumer value that is being added by external

parties. This would allow greater visibility of performance and could facilitate incentive payments being better targeted.

Access to the 'right' people in ESO

- 2.5 On a specific question of cooperation at working level, although we cannot speak for other companies, in respect of ELEXON we believe that in general this has been good and we have built some strong and helpful working relationships between our two companies. However, one ongoing issue is that we have had difficulties in finding the 'right' person (in terms of knowledge and experience) in ESO for a given subject, issue, project or presentation.
- 2.6 As an example of the latter point, we have held a number of joint ELEXON/ESO events during 2018/19. Most have been highly successful and we have no issues. Indeed we very much welcome the collaboration that ESO has offered ELEXON at ESO events such as the IS Forum. However, on one occasion ESO did not send the appropriate ESO experts and did not follow the jointly agreed presentation. That said, and in testament to our general good relationship with ESO, we helped supplement the ESO experts on the day to make the event a success. In addition we followed up with ESO to ensure that the next iteration of the event addressed the issues experienced in the first.
- 2.7 We believe to secure ESO's reputation with its stakeholders and provide value that ESO, should commit to the following in its Forward Plan:
- provision of the appropriate ESO expertise to stakeholder events; and
 - consideration of how best to address difficulties with finding the right ESO expertise.

An industry-wide approach to the publication of information

- 2.8 Channels of publication. We have been concerned for some time that ESO may not take a holistic approach to the publication of data and information. We have previously majored on this subject in comments both to ESO and Ofgem as we were concerned that the ESO would favour its own website rather than the Balancing Mechanism Reporting Service (BMRS) even when that might not be in the best interests of the industry or consumer. For example, by publishing closely-related information, but split between the two different websites.
- 2.9 We can see no reason for moving away from, or not building upon, the existing and recognised one-stop shop for balancing and settlement information, the BMRS. If ESO were to publish information outside of the BMRS it would serve to introduce confusion for customers and create a fragmented approach. We would welcome the opportunity to work with the ESO to ensure that there are protocols and contact points in place to ensure that additional information can be added to BMRS in a timely manner.
- 2.10 However we would also recommend that the ESO Forward Plan includes a commitment to have clear signposting on the ESO website to expertise and information across both our two companies, and for there to be links to the BMRS.

Quantity and Quality of published information

- 2.11 ESO's publication of information needs to strike the right balance between transparency and resource burden for both users of that information and for ESO itself.
- 2.12 It has been ELEXON's experience that ESO has been publishing too much information and too frequently. We believe that much can be done to improve the engagement of ESO with its stakeholders, if it were to provide targeted key information and to consider ahead of publication how this could be made easier-to-find.

- 2.13 In considering the current way that ESO is publishing information and the content of the reports that are being released we believe that the ESO should look at what they have issued to date¹.
- 2.14 We suggest that the ESO Forward Plan should include a review of ESO performance reporting to ensure it strikes the right balance between transparency and usability for the end user.
- 2.15 However, on one particular point raised by Ofgem in its October 2018 consultation '[Call for input on 2019-20 ESO regulatory and incentives framework](#)', we agreed that additional reporting on ESO's internal expenditure would be helpful. This should reveal the strength of the incentives relative to base expenditure and will help decide if the strength of the financial incentives is appropriate, e.g. the relative size/weighting of the incentive pots.

Responding to ELEXON and other stakeholders

- 2.16 ESO is required under the European Network Codes and Guidelines to consult publicly on certain proposals and changes; and to publish a 'sound justification' for accepting/rejecting responders' comments before, or at the same time as, it sends its final proposals to Ofgem for approval.
- 2.17 We suggest that the ESO Forward Plan should include a metric that records how well ESO does this as there were examples in the past year when the second step (publication of the 'sound justification') did not happen.

Raising, progressing and implementing BSC Modifications

- 2.18 One area on which ELEXON needs to work very closely with ESO on an ongoing basis is on raising and supporting the progression of BSC Modifications where these are in the overall interests of the consumer.
- 2.19 Whilst ELEXON can support BSC Modifications, it is not able to raise them. For many proposed BSC Modifications we also need ESO to support the BSC Modification process through the timely provision by ESO of data and information; ESO attendance at BSC Modification Workgroups; and ESO support for the implementation of approved BSC Modifications.
- 2.20 Due to the dependency of some BSC Modifications on the work and co-operation of ESO we suggest that a measure is included to monitor that ESO is meeting a baseline requirement in this regard.

Supporting operation of the BSC

- 2.21 We also suggest that the ESO ensures that sufficient resource and attention is paid to supporting BSC operations, such as the provision of accurate and timely data for BSC processes and the early identification and resolution of any errors or issues. This would include, where appropriate, through ESO's membership of the European Transmission System Operators' organisation, ENTSO-E, which ELEXON is unable to influence directly, even where we may be reliant on ENTSO-E's information and data for BSC purposes.
- 2.22 We suggest that a measure for ESO's compliance with its BSC obligations is made a 'meeting baseline' metric.

¹ In total it appears that ESO published 41 separate performance monitoring reports, minutes and related documents (see link [here](#)) in the nine months, April to December 2018. The Mid-year report alone was over 200 pages in length.

3. Other comments

- 3.1 On page 19 of the draft Forward Plan, there appears to be an error in the performance benchmarks for Metric 3 in that 'exceeds' and 'below' benchmark measures seem to be reversed.
- 3.2 On page 25 of the draft Forward Plan, it states that 'significant upgrading of IT systems to meet EU Network Codes' is exceeding baseline expectations. We have two comments on this:
- The obvious comment, i.e. that the Plan will need to change depending on which Brexit scenario results and whether ESO continues to be bound by the totality of EU Network Codes, particularly the future obligations set out in those Codes.
 - We were unclear as to why compliance with Network Codes (if still binding) would be classed an 'exceeding baseline' activity (i.e. eligible for enhanced incentive payments). This is not properly explained or justified. So without further justification, we would assume IT systems to meet the legal requirements is a mandatory and therefore a cost of doing business and therefore could only be a baseline achievement.
- 3.3 On page 31 of the draft Forward Plan, we note that 'Implementation of Pan-European replacement reserve standard products' is timed throughout 2019 to 2021. Assuming that ESO is still enabled to participate in Project TERRE (Replacement Reserve), it is linked to Brexit, we are unclear why implementation is spread over these three years when the EU legal implementation of TERRE has to be by end 2019 and this is the deadline for which we had understood that ESO was, and certainly ELEXON is, preparing.

END