

Report

Electricity System Operator Performance Panel End-Scheme Review 2021-2023

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Contact: Adam Gilham, Matthew Fovargue

Team: ESO Regulation

Tel: 020 7901 7000

Email: ESOPerformance@ofgem.gov.uk

The RIIO-2 price control for the Electricity System Operator (ESO) covers the period 2021-26. The ESO's business plan period and incentives framework run over a two-year period (2021-23). As part of the incentive framework for the ESO's RIIO-2 price control, the ESO Performance Panel and Ofgem assessed the ESO's performance every 6 months. We are publishing this report as the Secretariat for the ESO Performance Panel, detailing the Panel's assessment of the ESO's performance at the end-scheme review stage. This report contains the views of the ESO Performance Panel, not Ofgem.

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psi@nationalarchives.gsi.gov.uk

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RIIO-2 ESO Incentive Framework

Background

In April 2021, Ofgem introduced the RIIO-2 price control for the ESO (covering the period between 2021-26).¹ The price control consists of a pass-through funding approach, supported by performance-based financial incentives to deliver value for money. The incentives framework runs over a two-year period (aligning with the business plan period²) and is underpinned by the ESO Roles Guidance that sets out Ofgem’s expectations for the ESO’s activities and outcomes.³ The ESO’s combined performance on delivery and costs will be evaluated, across the full spectrum of its roles. The financial incentives will provide the ESO with additional returns where the ESO has delivered exceptional performance or penalties where the ESO has not met performance expectations.

The ESO Performance Panel (the “Panel”) plays a central role in the ESO’s RIIO-2 price control. It assesses the ESO’s performance every six months, identifying areas where the ESO are performing in line with expectations, where it is exceeding expectations and where it is not meeting expectations. This gives the ESO feedback on its performance and the opportunity to act on this and make any necessary improvements during the remaining months of the scheme. For RIIO-2, we appointed an independent (non-Ofgem) Panel chair to lead the ESO Performance Panel.⁴

Approach

This end-scheme review covers the full two years of the Business Plan period (BP1) from April 2021 to March 2023. The ESO published its end-scheme report on 19 May 2023.⁵ The Panel convened on 22 June 2023 to assess the ESO’s performance. The Panel followed the process described in Chapter 3 of the ESORI (Electricity System Operator Reporting and Incentive Arrangements) guidance document⁶ to assess the ESO’s performance in relation to each role, considering our earlier assessment in the RIIO-2 Final Determination on delivery schedule grading.⁷ The Panel assessed the evidence provided by stakeholders,⁸ the

¹ RIIO-2 Final Determinations: <https://www.ofgem.gov.uk/publications/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

² The ESO’s business plan period, otherwise referred to as BP1, runs from 2021-23.

³ ESO roles and principles 2021-23:

https://www.ofgem.gov.uk/sites/default/files/docs/2021/03/eso_roles_guidance_2021-23_1.pdf

⁴ Appointment of independent Panel chair: <https://www.ofgem.gov.uk/publications/appointment-independent-panel-chair-0>

⁵ ESO End of Scheme Report 2021-23 Evidence Chapters:

<https://www.nationalgrideso.com/document/280071/download>

⁶ ESORI Guidance document: [ESORI Guidance Document 2021-2023 \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/publications/esori-guidance-document-2021-2023)

⁷ RIIO-2 Final Determinations: Ibid.

⁸ ESO call for evidence 2021-23: [ESO call for evidence 2021-23: End of scheme review | Ofgem](https://www.ofgem.gov.uk/publications/eso-call-for-evidence-2021-23)

ESO and collected by Ofgem throughout the two years of the BP1 period and used the evaluation criteria below to provide scores for each of the ESO’s roles. These scores are a recommendation to Ofgem and do not equate to an incentive reward or penalty. The Panel’s feedback is used to inform Ofgem’s assessment of ESO performance. The final decision on the value of the ESO’s financial incentive outcome for the BP1 period (2021-23) will be made by Ofgem by 31 August 2023.⁹

Evaluation criteria

In determining a score for each Role (except Role 3 where performance metrics do not apply), the Panel used the evaluation criteria below to evaluate the ESO’s performance:

- a) Plan delivery
- b) Metric performance
- c) Stakeholder evidence
- d) Demonstration of plan benefits
- e) Value for money

Scoring

For each Role, the Panel provided scores for the ESO on a scale of 1 to 5, where:

1	Overall performance clearly does not meet performance expectations, for example the ESO has strongly underperformed most criteria
2	Mixed overall performance and on balance the ESO mostly did not meet expectations, for example the ESO has net underperformance across the criteria
3	Mixed overall performance and on balance the ESO mostly met expectations, for example underperformance and outperformance across the criteria balance each other out
4	Mixed overall performance and on balance the ESO mostly exceeded expectations, for example the ESO has net outperformance across the criteria
5	Overall performance clearly exceeds performance expectations, for example the ESO has strongly outperformed most criteria

⁹ National Grid Electricity System Operator Limited Electricity transmission licence: [Special Conditions - ESO \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/special-conditions-eso)

Summary of ESO Performance Panel's assessment

General messages

The overall scores the Panel recommended reflect the degree of progress it considers that the ESO has made against the commitments set out in its first RIIO-2 business plan.¹⁰ It's worth noting that the Panel individually shared their views and scores before meeting to discuss and agree on a final set of scores for the ESO. There was a wider spread in individual scores than are represented in the final set of scores, but the Panel, through discussion and debate were unanimous in agreeing the final scores. This report represents both the views that individual Panel members shared through their reports prior to the meeting, and the views shared as a whole during the meeting itself.

A challenging period for the UK

The Panel wanted to put on record their appreciation and thanks for the competence, commitment and enthusiasm demonstrated by the staff of the ESO throughout the period under review, and the critical service they are performing for consumers and the energy industry. The Panel commented that the ESO has faced a particularly challenging 2 years, through a combination of the war in Ukraine and the fallout from the Covid pandemic, leading to high gas prices which has impacted directly on balancing costs. Furthermore, the volumes of transmission connection applications have grown significantly during the period, resulting in major delays to connection dates. One Panel member noted that once the plan 'hit the ground' aspects of it were quickly out of date due to events outside the ESO's control. The Panel noted that, despite these challenges, the ESO had successfully managed to maintain security of supply while integrating new services and approaches during the period. The Panel agreed that, at a high level, the ESO has fulfilled its core function throughout the period, albeit with significantly higher than forecast balancing costs and a connections process no longer able to cope with the scale of applications being submitted.

Considering this background, the Panel commented positively on the ESO's agility and adaptability to respond to events. The Panel generally agreed with the re-prioritisation exercise that the ESO went through when reacting to the demands of winter planning and understood the diversion this will have caused for management focus and ESO resources during the period.

¹⁰ ESO RIIO-2 Business Plan: <https://www.nationalgrideso.com/document/158051/download>

Mixed but positive trend in overall performance

Overall, the Panel felt that the ESO's delivery performance over the full BP1 period, as measured against the agreed targets, has been mixed. The scores that the Panel reached for Roles 1 and 2 reflect this, but trend towards a positive view for Role 3. The main positives discussed by the Panel over all Roles included the delivery of Pathfinder projects, the introduction of successful new markets, the Operational Transparency Forum (OTF), the introduction of the Demand Flexibility Service (DFS), and the strong value for money represented by several projects under Role 3. The Panel felt that the challenges surrounding the connections process are now being addressed but that action could have been taken sooner. Progress with the ESO's restoration programme has been positive as has the ESO's work on Holistic Network Design (HND).

IT delivery

Mixed, but predominantly negative views surrounded progress with the ESO's delivery of their IT investments. A majority of the Panel agreed that a significant number of IT deliverables haven't been delivered, and that the Zuhlke report¹¹, while focused on the second business planning period, reflected poorly on various elements of the IT portfolio. The Panel highlighted the significance of this portfolio, acknowledging that it was fundamental in supporting the rest of the ESO's plans. Without a robust, upgraded IT system in place, the Panel were concerned that the ESO will struggle to meet its zero-carbon operability ambition. Poor IT delivery influenced the Panel's scoring of Roles 1 and 2, as they felt that IT infrastructure was not in place within the BP1 period.

One Panel member suggested that the ESO had successfully put in place the foundations for delivering its IT investments and was more confident that the ESO would deliver its planned IT reforms over the full RIIO-2 period, though a majority of the Panel were less confident. This is an area which will continue to have significant focus for the Panel in assessing performance.

Leadership, communication and transparency

Leadership, communication and transparency were key components of the Panel's general discussion on the ESO's performance. The Panel welcomed the increased amount of information the ESO provided them, particularly through the 'Deep Dive' sessions hosted over the last 9 months. However, one Panel member felt that the end-scheme performance report was a step back in transparency from previous reports as it leaned more towards

¹¹ See BP2 draft determination, appendix 4 - 'Independent Review of the GB National Grid Electricity System Operator £556M Enterprise IT Investment Plan' by Zuhlke Engineering Ltd, commissioned by Ofgem. <https://www.ofgem.gov.uk/publications/riio-2-business-plan-2-eso-draft-determinations>

reading as a marketing document, rather than an honest appraisal of the ESO’s performance both positive and negative.

The Panel felt that the ESO had improved its industry leadership in general over the last two years, but still had significant room to go further. The Panel noted that the ESO appeared confident in taking a leadership role when it had the support of Government and/or Ofgem, but less so when working independently. Market monitoring and the Balancing Services Use of System (BSUoS) Task Force were specifically called out as areas where good leadership was shown, but elsewhere the Panel considered that the ESO has been slow to demonstrate strong leadership. The Panel highlighted development of the first HND and addressing balancing costs as specific examples where greater independent leadership was required.

The Panel recognised several areas of underperformance that stemmed from poor communication from the ESO; particularly around skip rates and dispatch transparency and a failure to keep the industry up to date on plan changes or delayed milestones. The Panel also noted that the ESO’s end-scheme performance report glossed over several areas of under-delivery against the ESO’s BP1 plan. Stakeholders continued to raise lack of transparency as an issue across all three Roles, though the OTF has been recognised as a strong example of what can be achieved.

Summary of scores

Below is a summary of the Panel’s scores for each Role. A score of 3 denotes that the ESO is meeting expectations.

The scores should be read alongside the detailed feedback. This report captures the breadth of views that were expressed, and the reasoning provided by the Panel members.

Role	6-month score	Mid-scheme score	End-scheme score
1	Low 3	Low 3	3
2	3	Low 4	3
3	3	3	4

1. Role 1: Control Centre Operations

This Role requires the ESO to balance the National Electricity Transmission System (NETS) in a safe, reliable, and efficient way. This includes contracting and trading with energy market participants as well as working with network owners to optimise physical network configurations. Other key functions under this Role include coordinating with network operators on outage plans and network planning, short term energy forecasting, restoration and emergency response as well as managing and sharing system data and information. The Panel agreed on an overall score of 3, which is an increase from a low 3 from the Panel's mid-scheme assessment.

The Panel had mixed views on the ESO's delivery performance in Role 1. Considering the geopolitical context that the ESO were operating under, the Panel felt that the ESO performed their fundamental role of system operation well and acknowledged that considerable reprioritisation was required during the period. The ESO's progress in Restoration was also viewed positively by members of the Panel, as was the OTF and the new market monitoring function.

The ESO's delivery of the IT portfolio was highlighted as an issue in Role 1. Almost all Panel members had significant concerns in this area. Many of the planned benefits for market participants spanning all three Roles rely on the IT portfolio being delivered successfully and on time. The Panel felt that there was clear evidence of delays and missed deliverables in this area which were a significant cause for concern.

The Panel were concerned with the significant increase in Balancing Costs during the period, well above forecast levels. This has a significant impact on consumers. The Panel noted that one of the ESO's main functions is to minimise these costs on behalf of consumers. Even after recognising the impact of factors outside of the ESO control, The Panel felt that the ESO has struggled to contain these costs during the BP1 period. Some Panel members highlighted mitigating factors, such as the reduction in the volume of actions taken over the period and factors such as high gas prices being outside of the ESO's direct control. One Panel member noted the report by LCP, which stated that the ESO took the necessary actions available to them over the winter period of 2022 to 2023, but that there was scope for improvement in forecasting.

Plan delivery

The Panel concluded that performance against this criterion was mixed. Although the Panel highlighted some successes in this area this was balanced against the ESO's underperformance in delivering its IT portfolio. Panel members agreed that the ESO demonstrated its capability of delivering its core role but has also come up against the limitations of existing IT systems.

The Panel discussed the high ambition of the ESO's plan for Role 1, noting that it was scored at a 5 out of 5. Whilst the Panel felt that the ESO had not managed to reach that ambition, they noted that the ESO's plan delivery was still in line with, and in some cases slightly above, what would be expected of an efficient system operator. One Panel member said that performance against Plan delivery has improved since last year.

90% of the ESO's deliverables were reported as delivered, though Panel members questioned the validity of this claim recognising that milestones delivered vs deliverables delivered are different and that some of the milestones were open ended in nature but marked as complete. For example, deliverable A1.4/D1.4.1 on Control Centre Architecture required integration with the single markets platform by 2023, supported by IT project 220. The ESO's narrative indicated that this is awaiting connection approval, but they have marked the milestone as complete. Further examples like this led to the Panel querying some of the examples of reported delivery in the ESO's end-scheme report (throughout all Roles). They also noted that a proportion of these deliverables were delivered later than originally planned.

The Panel considered the Restoration trial a major success, as was work under the Distributed Restart project. Although delivery has been taking longer than expected, the Electricity System Restoration Standard was also viewed in a positive light. At 94% complete, the Panel also viewed the Accelerated Loss of Mains Change Programme (ALoMCP) as a success, but noted that this activity had been ongoing for many years and was now part of baseline expectations.

Again, a core concern raised by the Panel was on the ESO's under-delivery of its IT programmes. One Panel member raised specific concerns around the progress of the digital twin platform, noting that this seems to have been significantly descoped since the original plan. Another Panel member noted that over the BP1 period the foundations for the future functionality of IT had been laid successfully and was therefore more optimistic regarding future delivery.

Metric performance

Overall, the Panel agreed that the ESO's Metric performance for Role 1 was below expectations. This score was reached due to a mix of some metrics meeting expectations whilst others being below expectations.

Although the Panel acknowledged the challenges in setting a balancing costs benchmark and welcomed the reducing number of balancing actions being taken, outturn balancing costs over the 2-year period were very high at £6,967 million against a benchmark of £3,020 million. Whilst the Panel recognised that the metric was not based on data with prices as high as experienced during the two-year period, they felt that balancing costs were still higher than would reasonably be expected.

The Panel felt that the ESO's demand forecasting was below expectations and that high balancing costs were perpetuated by this. Though generally accurate over the two-year period, wind forecasting seems to have slipped in recent months, with February and March 2023 highlighted as particularly poor for this metric. The Panel also expects the ESO to take greater steps to improve their understanding of embedded wind generation going forwards.

The Panel noted that the ESO had met expectations on the metric for planned outages.

Stakeholder evidence

In general, stakeholder satisfaction was largely meeting expectations over the two-year period but the panel noted that this was slightly skewed towards exceeding expectations and trended upwards for Role 1 in the last 6-month survey. The Panel concluded that the ESO had met expectations for this criterion.

Stakeholders were near-unanimously supportive of the OTF. The Panel agreed that this is well attended and a good example of industry engagement. It was recognised that the OTF was not included in the original plan, but reflected a positive initiative to manage stakeholder engagement during the COVID period, and has subsequently been retained. The Panel noted that the biggest areas of concern from stakeholders was on 'skip rates' and transparency of dispatch. Though the Panel agreed that this was a serious issue, they noted that specific feedback on this topic didn't necessarily reflect the full range of stakeholders. The feedback was predominantly from many smaller balancing mechanism participants. The Panel noted that this underlined the importance of timely and quality IT transformation in the control room.

The Panel noted that achieving 31% of responses from stakeholders as 'exceeding expectations' is a strong achievement in the final six-month survey.

Demonstration of plan benefits

The Panel's assessments of demonstration of plan benefits was mixed with the Panel agreeing to a mixed score of below/meets expectations for this criterion.

Panel members noted that a lot of deliverables in Role 1 had not actually been delivered, making it difficult to acknowledge benefits of these. Delays in transforming network control were viewed negatively by the Panel, especially as it was considered a major activity for BP1.

The Panel highlighted industry wide benefits from the Operational Transparency Forum (OTF) but recognised that the ESO has not maximised these benefits yet as there are many further improvements that could be made. Restoration and particularly Distributed Restart were noted as having significant benefits and being well delivered. There was a general agreement that the market monitoring team had performed well and demonstrated a clear benefit.

The Panel pointed to the introduction of the Dynamic Containment market, ALoMCP, Frequency Risk and Control Report and stability phase 1 pathfinder as having reduced the number of actions taken to manage frequency. The ESO calculated net benefits of £1.8bn from these initiatives. However, one Panel member commented that there doesn't seem to be a clear change in culture around working towards a digitalised system underpinning a net zero world.

Value for money

As a general note, the Panel highlighted that the data provided by the ESO (for all three Roles) related to relatively simplified cost impacts, rather than establishing value for money.

The Panel felt that, overall, the ESO had overspent and under-delivered on Role 1 but, given the challenges discussed above, the Panel concluded that the ESO remained within the 'meeting expectations' category for Value for Money (VfM). The Panel noted that the ESO had asked for more money in BP2 to deliver projects they said would be delivered in BP1.

Several Panel members felt it was important to note the £18 million overspend for Role 1, given that the ESO did not manage to deliver everything that was planned. The Panel stressed that the key factor that moved their score from 'below expectations' to 'meets expectations' for VfM was the ESO recognised the need to delay and overspend on the Balancing Programme early and the level of transparency provided in relation to this. The industry appreciated the engagement and were brought along in the process.

2. Role 2: Market development and transactions

This Role requires the ESO to operate the balancing mechanism and develop and procure additional balancing services to operate the system in a safe, reliable, and efficient way. The ESO administers, and is party to, various codes. It can propose changes to these codes, provide input to aid industry discussions, and influence the final recommendations submitted to the Authority. It is also the Electricity Market Reform (EMR) delivery body involved in the administration and auction processes for the Capacity Market and Contract for Difference.

Again, there were mixed views from the Panel for this Role. Overall, they agreed to a score of 3, which is a drop from the mid-scheme score of a low 4.

The Panel agreed that disruption due to the war in Ukraine, security of supply concerns and the associated increases in energy costs had impacted most in this Role. However, the Panel felt that several areas of under-delivery had led to missed opportunities in Role 2 which would have been of benefit to market participants and consumers. Saying that, several Panel members pointed out that the delivery of DFS was a highlight for BP1 and demonstrated the ESO's ability to deliver at pace when required urgently.

Plan delivery

The Panel noted the ambition score of 4 for Role 2 but felt that the ESO had not fully delivered against that ambition. They concluded that while the ESO had not met the plan's ambition, it had delivered in line with an efficient system operator and was therefore meeting expectations for Plan delivery in Role 2. The Panel recognised that in the end of scheme report, the ESO highlighted their prioritisation of winter preparedness in 2022 as a significant driver behind many of the delayed milestones.

The Panel noted that the ESO responded well to unforeseen challenges in winter 2022/23, including potential Europe-wide gas shortages and nuclear outages in France causing uncertainty for Interconnector flows. It was acknowledged that these challenges required additional activity in the Role 2 space, which needed resourcing and that would have been a distraction from other activities. The ESO's preparations were commended by the Panel, though a few Panel members noted that preparation for winter should be considered a core function of any ESO.

The Panel recognised the ESO's successful delivery of DFS and winter contingency contracts even though they were not part of the ESO's original business plan. GC0137 was also acknowledged as a major success. One Panel member also praised the new markets introduced by the ESO; Dynamic Containment, Dynamic Regulation and Dynamic Moderation.

However, the Panel was concerned by the ESO's decision making and processes in relation to the development of the Balancing Reserve (BR) product. Moreover, performance was also marked down for the high number of delays to important deliverables such as the new Electricity Market Reform (EMR) Portal, Reserve Reform, the Single Markets Platform and the phase out of Dynamic Firm Frequency Response. There was agreement that delivering only 69 out of 108 milestones was below expectations, with insufficient explanation for why so many milestones were missed.

Metric performance

The Panel considered the ESO's metric performance for Role 2 was below expectations. The competitive, market-based procurement metric under 2a was notably below target. This questioned the ESO's ability to deliver its 'competition everywhere' ambition.

The Panel indicated that the ESO could achieve better performance under this criterion if it overcame the delays due to the de-prioritisation of developing competitive approaches to procuring reactive power.

Stakeholder evidence

The Panel felt that the ESO met expectations with stakeholder evidence for Role 2. Panel members noted that the end of scheme stakeholder survey concluded with 16% of scores exceeding expectations and 65% meeting expectations, a drop since the last survey, though still meeting expectations.

Where industry had been engaged with product development (such as with Local Constraint Markets and DFS), the Panel felt that the ESO benefitted from their input and delivered strongly. However, several Panel members highlighted inconsistency in the ESO's approach to stakeholder engagement, such as with the development of BR.

The Panel noted that many stakeholders indicated difficulty in accessing information on Role 2 project timeframes. Although seen as a positive deliverable overall, stakeholders noted that the Market Roadmap was quickly out of date after publication, and it was difficult to understand revised timelines for deliverables. The Panel also noted that stakeholders found the number of platforms to engage with the ESO difficult to manage. One stakeholder complained that there were multiple interface points to deliver services to the ESO, even with new products such as Dynamic Containment. Furthermore, accessing market information on the website proved challenging.

One Panel member noted that stakeholder engagement during preparations for winter 22/23 was positive, as the ESO was transparent with the challenges faced and the plans in place to address them. One Panel member highlighted that this improvement in engagement was also evident through the Markets Forum and Advisory Council.

Feedback on DFS was widely positive and the Panel suggested that lessons from the OTF should be applied elsewhere, as this is seen as a great example of the ESO's engagement.

Demonstration of plan benefits

The Panel decided that the ESO's demonstration of plan benefits for Role 2 was below expectations. The realisation of benefits was limited by the number of critical deliverables and milestones that had been delayed, such as the EMR Portal.

The Panel noted that the benefits for A6, to 'Develop codes and charging arrangements that are fit for the future' have dropped markedly and published information often became out-dated quickly and it was difficult to find relevant information on ESO's website.

Nevertheless, the benefits of DFS were unanimously praised by the Panel. One Panel member also praised the benefits delivered as part of the B6 Constraint Management Inter-trip service, which will deliver a total estimated benefit of £226-£256 million between April 2022 and September 2025.

Value for money

The Panel agreed that the ESO was meeting expectations under the Role 2 value for money criterion. However, the Panel noted that the ESO's underspend of £15.1 million against the cost benchmark could have contributed to under-performance against other criteria, for example, those related to under-delivery against milestones.

3. Role 3: System insight, planning and network development

Under Role 3, the ESO performs a variety of insight, planning, and network development activities. It publishes key insight documents to identify credible long-term pathways for the energy sector and key electricity system requirements. It also produces the annual Network Options Assessment (NOA), wider NOA methodologies and examines long-term operability solutions via the NOA pathfinder projects. The ESO coordinates offshore network development and works with DNOs to ensure efficiency and coordination in network development activities to maximise whole system benefits across network boundaries. The ESO is also responsible for the network connections process and for managing the impact that new offshore and distribution-level connections have on the NETS.

The Panel agreed to an overall score of 4 for Role 3, an increase from their mid-scheme score of 3. One Panel member noted that the ESO improved clarity on Role 3's overall purpose and it was now clearer how Role 3 activities flows through to Role 2 and Role 1.

Notable areas of good performance included delivery of Pathfinder projects, inter-trip benefits, Future Energy Scenarios (FES) and the HND.

The Panel's discussion on the Connections queue concluded that the ESO is on the right track with their reform proposals and is driving a full-scale industry review of the process. Saying that, some Panel members believed that the ESO could have tackled this sooner, and that Network Operators and industry participants have been flagging these issues for several years.

Plan delivery

The Panel noted that 96% of milestones delivered is a strong achievement, considering the ambition score of a 4 for the Role 3 delivery schedule. However, some key deliverables such as Regional Development Plans were behind schedule. Overall, the Panel concluded that the ESO had met their plan ambition and therefore considered the ESOs performance to be exceeding expectations. Several Panel members highlighted the work on Offshore Transmission Network Reform, HND publication and delivery of Pathfinder projects as successes in particular. The ESO's work on FES was viewed positively by the Panel, who also noted that the industry relied on the quality of this work. Considering the wider external pressures, the Panel welcomed the acceleration of Connections process reform. However, several Panel Members thought these reforms should have commenced earlier.

Additional deliverables outside of the ESO's original plan have been well received by the Panel, including Early competition design and the Central Strategic Network Plan.

Stakeholder evidence

The Panel agreed that the ESO met expectations on stakeholder evidence for Role 3. The Panel noted that 29% of stakeholders scored the ESO as below expectations in this Role, a higher proportion than in other Roles, realising this was due to the scale of the Connections queue. One Panel member noted that the ESO had responded to this, setting up Connections forums to increase engagement with stakeholders. Learning from feedback was a notable theme in Role 3, with one Panel member praising communication and engagement with TOs and developers on the HND Follow-Up Exercise, demonstrating lessons learned from HND.

The Panel noted that the main topic of negative stakeholder feedback appeared to shift over the course of the business plan period. Initially in BP1, the focus of this feedback was on Pathfinder projects. More recently, the focus shifted away from Pathfinders (which were eventually viewed more positively) onto the Connections process. The Panel commented this demonstrated the ESOs ability to act on and learn from feedback. However, the Panel encouraged the ESO to be proactive in horizon scanning and seeking to tackle issues before they become a focus of stakeholder concern.

Demonstration of plan benefits

The Panel agreed that the ESO met expectations for this criterion. Panel members noted areas of positive performance, for example delivery of the NOA enhancements that are set to deliver benefits of £728 million over RIIO-2. Additional positive benefits that the Panel noted include:

- Whole energy system approach to connections, claiming £3.7m in BP1.
- Whole energy system approach to zero carbon, claiming £759 million in BP1.
- £15 billion in pathfinder benefits between 2025 and 2035, though the Panel did note that almost all of this comes from the stability pathfinder, which was established well before BP1.
- £219 million in benefits from improved network access planning.
- £5.5 billion from HND over 40 years.

The Panel wanted to flag a lack of clarity on the evidence provided by the ESO on Role 3 benefits. For example, some deliverables with benefits attributed to them did not appear to have been delivered during BP1 (e.g., Regional Development Plans and access reforms with

Distribution Network Operators) and benefits were reported from the Constraint Management Inter-trip Service in both Role 2 and Role 3, causing some confusion. Furthermore, one Panel member questioned whether benefits from HND can be solely attributed to the ESO, considering they were directed to undertake this work by the government.

Value for money

The Panel concluded that the ESO met expectations on VfM for Role 3. This is driven by Role 3 expenditure coming out at 13% below budget, an underspend of £18.2m, which was a strong result considering the additional deliverables that the ESO has achieved. However, the Panel were concerned that budget underspend in this area could have been applied to addressing key issues such as Connections reform and Regional Development Plans.

Appendices

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Appendix 1

List of Panel members 2021-2023

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- John Carnwath (independent Panel member)
- Robert Hull (independent Panel member)
- Ian Tait (independent Panel member)
- Energy UK (represented by Sophie Lethier)
- Energy Networks Association (represented by Lynne Bryceland)
- Association of Decentralised Energy (represented by Chris Kimmet)
- Citizens Advice (represented by Andy Manning)