



Making a positive difference
for energy consumers

Email: ESOperformance@ofgem.gov.uk

Date: 1 November 2023

Dear colleagues,

Decision on amendments to the ESO Roles Guidance for 2023-25

On 25 May 2023, we¹ published a consultation asking industry for their views on our proposed modifications to the ESO Roles Guidance for 2023-25.² These modifications build on the updates we made to the ESO Roles Guidance as part of our assessment of the ESO's second business plan cycle and are intended to better reflect the ESO's current role in industry.

In our Draft Determinations of the ESO's second business plan, we set out our proposal to make additional changes to several expectations across the ESO's Role 3 activities, as well as to fully capture our expectations against the 'quality of outputs' evaluation criterion.

As part our Final Determinations we decided to consult on these additional changes to the ESO Roles Guidance to ensure our expectations are robust and accurately reflect the ESO's current role in industry, as well as allow industry to engage and comment. This cover letter briefly sets out the final amendments we have made in this iteration of the ESO Roles Guidance in response to industry engagement to the consultation.

¹ The terms "we", "us", "our", "Ofgem" and "the Authority" are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

² Our consultation can be accessed here: <https://www.ofgem.gov.uk/publications/consultation-amendments-bp2-eso-roles-guidance>

For the avoidance of doubt, the modifications to this ESO Roles Guidance do not confer expectations or criteria that may be used to assess the Future System Operator, which is the name currently given to the body that can be designated as the Independent System Operator and Planner under Part 4 of the Energy Bill that was introduced into parliament in July 2022.³ Similarly, the expectations included herein do not imply that the ESO should operate beyond its current licensed boundaries.

Furthermore, we note that some of the expectations held within the ESO Roles Guidance may necessitate the involvement and action of third party industry actors. For clarity, our assessment of the ESO's performance in line with the expectations held in the ESO Roles Guidance will be based solely on the actions of the ESO. Where third party industry actors⁴ are a limiting factor in progressing the activities in the ESO Roles Guidance, this will be taken into account in our assessment of the ESO's performance. Nevertheless, we expect the ESO to progress the activities in the ESO Roles Guidance as far as possible in line with our expectations.

Amendments

Detailed policy and changes following the consultation can be found in the Roles Guidance document linked as part of this decision. The notable amendments made to each role following the consultation stage will be briefly highlighted below.

For Role 1, through engagement with the ESO over the consultation period, we added two new expectations to the ESO Roles Guidance regarding facilitating electricity security of supply. These additions intend to clarify our expectations of the ESO in non-BAU circumstances and the ESO's role in developing new solutions to manage electricity security of supply.

For Role 2, consultation responses were generally supportive of our amendments and we only made minor updates and clerical changes following bilateral engagement with the ESO.

For Role 3, we made a number of changes in response to consultation and through regular engagement with the ESO over the consultation period. The key changes in response to consultation are summarised in the table below:

³ Part 4 of the Energy Bill is accessible here: <https://bills.parliament.uk/bills/3311>.

⁴ We recognise that Ofgem or Government could be the limiting factor on occasion (eg where regulatory or legislative blockers exist), and we would equally account for this in our view of ESO performance where relevant.

Output Area	Summary of Change
3A	
Managing Connections	We clarified our expectations on ESO assessment of connection offers from TOs. Moved some expectations regarding improvements to the connections process and collaboration with TOs and DNOs to a new section named "Tactical Response to Connection Offers" following engagement with the ESO.
Tactical Response to Connection Offers	The ESO proposed this new output area was included in the ESO Roles Guidance as some expectations held elsewhere would be more relevant in this new section. On review, we agreed with the ESO and moved a number of expectations from Managing Connections to this new section.
Connections Portal	Minor clarifications.
3B	
Providing Energy Insights	Minor clarifications following the ESO's consultation response requesting clarify on using the FES to monitor and evaluate scenarios.
3C	
Identifying networks needs and solutions	Split "Demonstrate the number and types of solutions available..." into two separate bullets following feedback from the ESO. Removed expectations regarding activities that have been superseded by new activities. Updated wording on introducing improvements to analytical tools.
Transitional CSNP	Further clarity to transitional CSNP requirements following request from the ESO.

The ESO also requested clarity on what "ESO Policy" entails for our new Quality of Outputs section. In response to this, we have included a footnote clarifying the areas that the ESO Policy section covers.

As of publication of this cover letter and the associated ESO Roles Guidance, this version of the ESO Roles Guidance will now be in effect.

If you have any questions regarding the content of this letter or the associated ESO Roles Guidance, please contact ESOperformance@ofgem.gov.uk.

Yours faithfully,

Adam Gilham

System Operation Principal Policy Advisor

For and on behalf of the Gas and Electricity Markets Authority