

Governance

The Independent System Operator and Planner Reporting and Incentives Arrangements Governance Document

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This Governance Document sets out the detailed arrangements for the Independent System Operator and Planner (ISOP)'s performance incentives for the assessment period up to 31 March 2025. These arrangements are broadly a continuation of the incentives in place for the Electricity System Operator (ESO) for its RII0-2 Business Plan 2 (BP2) assessment period¹, with targeted amendments, including an additional assessment, to reflect the ISOP's new organisational model and expanded set of activities.

This is a draft version for consultation. It would only apply to the ISOP following its designation and would not apply to the existing ESO. We intend to make a decision on the final version of this draft Governance Document in the summer.

¹ For the previous reporting and incentives guidance document, see: <https://www.ofgem.gov.uk/publications/decision-electricity-system-operator-reporting-and-incentives-arrangements-guidance-document-2023-2025>

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Version History

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| Versions applicable to the ESO | | | | |
| 0.1 | n/a | Consultation on the 'ESO Reporting and Incentives Arrangements Guidance Document – Draft Version' | 23 February 2018 | n/a |
| 1 | Clarifications to wording and minor issues addressed following review of consultation responses | To issue the ESO Reporting and Incentives Arrangements Guidance Document | 28 March 2018 | 1 April 2018 |
| 2 | Clarifications and changes to the evaluation process for regulatory year 2019-20, following consultation with industry | To update and revise the ESO Reporting and Incentives Arrangements Guidance Document for 2019-20 | 25 March 2019 | 1 April 2019 |
| 3 | Clarifications and changes to roles and evaluation criteria for regulatory year 2020-21, following consultation with industry | To update and revise the ESO Reporting and Incentives Arrangements Guidance Document for 2020-21 | 6 March 2020 | 1 April 2020 |
| 4 | Clarifications and changes to align with the regulatory framework for the RIIO-2 price control | To update and revise the ESO Reporting and Incentives Arrangements Guidance Document for 2021-23 | 17 March 2021 | 1 April 2021 |
| 5 | Clarifications and changes to the methodology of metric 1D | To correct the methodology of metric 1D | 1 July 2021 | 1 April 2021 |

| | | | | |
|--|--|--|---------------|--------------|
| 6 | Correction to metric 2C EMR decision quality | To align metric 2C EMR decision quality with our Final Determination position | 11 March 2022 | 1 April 2021 |
| 7 | Clarifications and changes to align with the ESO's second business plan period in the RIIO-2 price control | To update and revise the ESO Reporting and Incentives arrangements Guidance Document for 2023-2025 | 28 March 2023 | 1 April 2023 |
| Versions applicable to the ISOP | | | | |
| 8 | Changes to reflect the designation of the ISOP, including its roles and organisational design. | Consultation on the 'ISOP Reporting and Incentives Arrangements Governance Document – Draft Version' | 24 May 2024 | n/a |

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1. Introduction

This chapter sets out the background to the Independent System Operator and Planner Reporting and Incentives (ISOPRI) arrangements, the purpose of this Governance Document, and its status from a compliance perspective.

1.1. The Independent System Operator and Planner (ISOP) is an expert, impartial body with responsibilities across both the electricity and gas systems, driving progress towards net zero while maintaining energy security and minimising costs for consumers. The ISOP is an independent, non-profit, Government-owned public corporation, licenced and regulated by Ofgem. Upon its designation in 2024, the ISOP took on all the existing roles and responsibilities of the previous Electricity System Operator (ESO) and longer-term planning, forecasting and market strategy activities in respect of gas. It also took on new and enhanced responsibilities, including providing expert advice to government, whole energy system resilience, and driving the coordinated development of the whole energy system.

1.2. We² regulate the ISOP to help ensure its actions align with consumers' interests. This Governance document explains the processes and requirements involved in the ISOP's performance incentives, including the methodology used to assess the ISOP's performance, and the performance reporting requirements placed on the ISOP.

1.3. Until 31 March 2025³, the ISOP's performance will broadly continue to be regulated through the arrangements which were put in place for ESO for the RIIO-2 Business Plan 2 (BP2) assessment period⁴, with amendments to reflect the ISOP's new organisational design. These amendments include:

² The Office of Gas and Electricity Markets (Ofgem) supports the Gas and Electricity Markets Authority ('the Authority') in its day-to-day work. In this Decision letter, 'we', 'Ofgem', and 'Authority' are often used interchangeably.

³ The assessment period is the period for which the Business Plan is applicable. The first assessment period (BP1) covered the incentive scheme starting on 1 April 2021 and ending on 31 March 2023. The second assessment period (BP2) covers the incentive scheme starting on 1 April 2023 and ending on 31 March 2025.

⁴ <https://www.ofgem.gov.uk/publications/decision-electricity-system-operator-reporting-and-incentives-arrangements-guidance-document-2023-2025>

- a) the removal of the financial elements of the incentive arrangements, to reflect the ISOP's not-for-profit organisational model;
- b) the integration of new ISOP responsibilities and activities, including an additional qualitative assessment; and
- c) streamlining of existing arrangements to promote proportionate reporting requirements and provide increased flexibility around the process for assessment by the ISOP Performance Panel.

1.4. This ISOPRI arrangements Governance Document is issued by the Authority under Part B of Condition G2 (Performance reports and assessment) of the ISOP's Electricity System Operator and Gas System Planner licences. As set out in paragraph G2.9 of those licences the Authority may make appropriate provision about or impose requirements in the ISOPRI Arrangements Governance Document, which may include, but will not be limited to:

- (a) reports the ISOP must publish on its website to demonstrate its performance;
- (b) the process and procedures that will be in place for any assessment of the performance of the ISOP by the Authority;
- (c) the requirements the ISOP must fulfil as part of any assessment process;
- (d) how any assessment of the performance of the ISOP will be published by the Authority;
- (e) requirements in relation to the ISOP gathering feedback from its stakeholders; and
- (f) any other matters relating to the regulation, governance, or administration of the ISOP's regulatory performance incentives.

1.5. This document may be revised and reissued in accordance with Part B of Condition G2 of the ISOP's licences.

Compliance

1.6. Where provisions of this Governance Document require the compliance of the licensee, the licensee must comply with those provisions as if the Governance Document were part of

Condition G2 of the ISOP's Electricity System Operator and Gas System Planner Licences. However, we have also attempted to make this document accessible and informative to a range of stakeholders.

1.7. For the avoidance of doubt, this document is subordinate to the licence. This document does not change any definition or obligations contained within the licence and in the event of any ambiguity over the Governance Document, the licence will take precedence.

1.8. The contents of this Governance Document do not alter or supplement the ISOP's compliance with its wider obligations under legislation, its licence or industry codes. References to 'baseline expectations' within this document are for the purposes of the ISOPRI arrangements only.

2. The ISOPRI arrangements process

This chapter provides an overview of the ISOPRI arrangements. It provides guidance on the processes, procedures and timings involved in this assessment period.

Overview of the ISOPRI arrangements

2.1. The ISOPRI arrangements supersede the Electricity System Operator Reporting and Incentives (ESORI) arrangements that were put in place for the ESO for the RIIO-2 Business Plan 2 (BP2) period.⁵ The BP2 period spans from 1 April 2023 to 31 March 2025. At the point of this document taking effect, several aspects of the BP2 process have already been completed. This chapter therefore focuses predominantly on the arrangements that remain relevant until the end of BP2.

The ISOP Roles Guidance

2.2. Our regulatory approach for RIIO-2 requires upfront clarity around the behaviours we expect of the ISOP and places the onus on the ISOP to engage with stakeholders to identify how to best meet and exceed these expectations in order to maximise benefits for consumers.

2.3. Underpinning the ISOP's BP2 regulatory framework is our ISOP Roles Guidance (the 'Roles Guidance'). The Roles Guidance is the key guide for understanding our performance expectations and forms a key point of reference for the ISOPRI arrangements. The Roles Guidance sets out our expectations and how the ESO can meet and exceed our expectations for each of its activities. It explains our expectations of how the ISOP should best fulfil its licence obligations and is designed to align expectations between the ISOP, the ISOP's customers and stakeholders, the Authority, and the ISOP Performance Panel (the 'Performance Panel')⁶.

⁵ <https://www.ofgem.gov.uk/decision/decision-electricity-system-operator-reporting-and-incentives-arrangements-guidance-document-2023-2025>

⁶ The ISOP Performance Panel is an independent panel of experts and/or stakeholder representatives, who will assess the ISOP's performance and provide recommendations to the Authority.

2.4. The Roles Guidance also helped set the structure for the ISOP’s business plan submission for the BP2 period and the BP2 evaluation process. The three roles and associated activities included in the Roles Guidance are shown in Table 1.

Table 1: Summary of the ISOP’s roles and activities

| Role | Role activity |
|--|---|
| Role 1: Control centre operations | a) Electricity system operation b) Electricity system restoration c) Transparency, data, and forecasting |
| Role 2: Market development and transactions | a) Markets for electricity system services b) Electricity Market Reform c) Wholesale markets, industry codes and charging |
| Role 3: System insight, strategic planning and network development | a) Electricity connections and network access b) Energy system strategy and insight c) Optimal network investment |

2.5. The roles in Table 1 are outlined in more detail in our Roles Guidance published on our website. An updated version of the Roles Guidance has been published alongside this Governance Document. Where appropriate we have amended expectations in each of Roles to reflect new and enhanced ISOP responsibilities that are already well aligned with existing roles.

2.6. We have also introduced new general expectations around the establishment of the ISOP within the Roles Guidance which will be used to inform a supplementary performance assessment. The ISOP’s performance will be evaluated using the evaluation process described in Chapter 3.

The ISOPRI arrangements

2.7. The ISOPRI Arrangements are a set of processes and requirements designed to create reputational incentives on the ISOP in order to drive its performance. As part of the original ESORI arrangements, the ESO engaged with its stakeholders and published a Business Plan before the start of the BP2 assessment period. This outlined the details of the ESO’s costs, activities, and deliverables for delivering its RIIO-2 strategy from April 2023 to March 2025. The ISOPRI arrangements involve an ongoing and final assessment of the ISOP’s progress delivering its BP2 outputs and its demonstration of the expectations in the Roles Guidance.

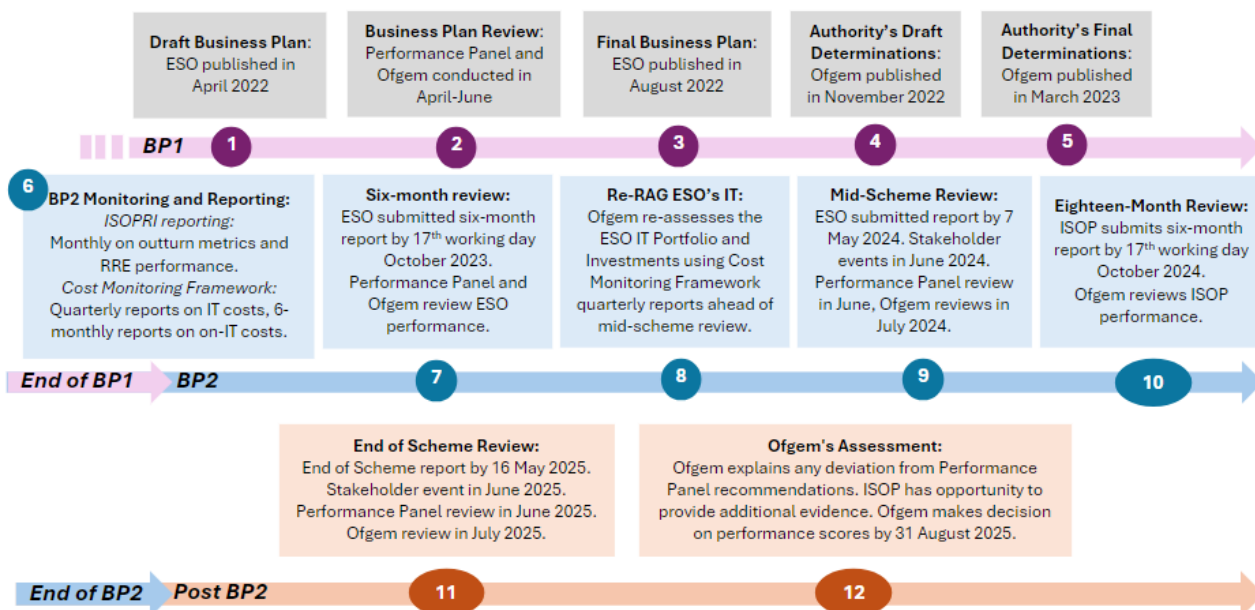
2.8. In summary, the ISOPRI arrangements for BP2 comprise of:

- A requirement to engage with stakeholders to produce a Business Plan **(completed by ESO)**;
- Requirements on the ISOP to produce within-scheme performance reports, including monthly reports, quarterly reports, six-monthly reports, a Mid-Scheme Report and an End of Scheme Report **(partially completed by ESO)**;
- The Performance Panel, formed of independent experts and stakeholder representatives, with an independent chair, who provide recommendations to Ofgem on the ISOP's performance; and
- An 'evaluative' reputational incentive, where the Authority will perform a final public assessment of the ISOP's performance at the end of BP2 (informed by a recommendation from the Performance Panel). This is based on an ex-ante evaluation methodology (described in Chapter 3).

Stages in the annual ISOPRI arrangements cycle

2.9. Figure 1 provides an overview of the key stages and timings in the reporting and incentives process for BP2. We provide guidance on each of these stages in the sections below.

Figure 1: Regulatory process for BP2



Steps 1 to 5: The Business Plan

Steps 1) to 5) Business plan submission and assessment

Complete - for Steps 1 to 5, please refer to the previous version of this document⁷. The ESO published the final version of its Business Plan in August 2022⁸. The Authority published its Final Determinations in response to the Business Plan in March 2023⁹.

Revisions to the Business Plan

2.10. We expect the ISOP to remain flexible and adaptable throughout the remainder of the assessment period and respond to changing situations. The ISOP may deviate from the ESO's original BP2 where it identifies opportunities for greater consumer benefits and/or changes to enable it to better carry out its expanded set of new responsibilities. Equally, if an action in

⁷ <https://www.ofgem.gov.uk/publications/decision-electricity-system-operator-reporting-and-incentives-arrangements-guidance-document-2023-2025>

⁸ <https://www.nationalgrideso.com/what-we-do/our-strategy/our-riio-2-business-plan>

⁹ <https://www.ofgem.gov.uk/publications/business-plan-2-final-determinations-electricity-system-operator>

the plan turns out not to be in consumers' best interests, then the ISOP should change its approach and explain why.

2.11. Whilst the Business Plan document will not be revised once published (with the exception of the updates to the delivery schedule and/or costs described in Chapter 4), we expect any changing context and changes from the plan to be explained through the reporting throughout the rest of the assessment period. Any material changes to the deliverables during the year should be added clearly via an addendum to the Business Plan or within-scheme reports.¹⁰

2.12. We do not require a full new Business Plan submission within BP2 for the ISOP to reflect its expanded responsibilities, given the relatively short period until a new business plan is due in April 2025. However, we will assess the ISOP's performance establishing and performing its new responsibilities using the methodology in Chapter 3.

Steps 6 to 10: Within-scheme monitoring and reporting

Step 6) Ongoing monitoring and reporting

ISOP incentive reporting

2.13. In order to create transparency around the ISOP's performance throughout the assessment period, and to help stakeholders, the Performance Panel and Ofgem monitor the ISOP's progress against its Business Plan, the ISOP must publish on its website¹¹:

- Monthly updates of its performance (by the 17th working day of the following month)
- Quarterly updates (every 3 months) of its performance (by the 17th working day of the following month).

¹⁰ Further details can be found in Chapter 7 of our RIIO-2 Final Determinations – Electricity System Operator Annex: <https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

¹¹ ISOP's monthly and quarterly reports publications for BP2 are published here: <https://www.nationalgrideso.com/what-we-do/our-strategy/our-riio-2-business-plan/how-were-performing-under-riio-2>

2.14. The ISOP will meet with Ofgem on a monthly basis to discuss the contents of these performance reports. Further guidance is provided in Chapter 4 on the detailed reporting requirements during BP2.

Cost Monitoring Framework reporting

2.15. We introduced a Cost Monitoring Framework to monitor the delivery of the ISOP's IT investments. This framework will also be used to facilitate the provision of additional information regarding non-IT costs where necessary. For IT costs, the ISOP will provide Ofgem with quarterly updates on its IT portfolio and individual IT investments, as described in the ISOP's Business Plan.

2.16. The ISOP's quarterly IT updates will focus on the progress, governance and cost of the ISOP's IT portfolio and individual IT investments. In addition, the quarterly IT updates will provide an opportunity for the ISOP to offer additional evidence to address any concerns Ofgem has raised as part of our ex-ante value for money assessment. Ofgem will provide the ISOP with feedback on these submissions where appropriate.

2.17. The ISOP is not required to publish the Cost Monitoring Framework quarterly reports submitted to Ofgem. However, the ISOP should publish updates on its IT investments and IT portfolio, including any significant deviations from planned costs. The ISOP should also engage with stakeholders regularly to ensure industry members are kept aware of the ISOP's progress and any notable developments.

Step 7) The six-month review

2.18. Complete - please refer to the previous version of this document¹².

Step 8) Re-assessment of the ESO's IT RAG rating

2.19. Complete - please refer to the previous version of this document¹³.

¹² <https://www.ofgem.gov.uk/publications/decision-electricity-system-operator-reporting-and-incentives-arrangements-guidance-document-2023-2025>

¹³ <https://www.ofgem.gov.uk/publications/decision-electricity-system-operator-reporting-and-incentives-arrangements-guidance-document-2023-2025>

Step 9) The Mid-Scheme Review

2.20. The ESO was required to produce and publish a report covering its performance during the first year of the BP2 assessment period, known as the Mid-Scheme Report. This was published in May 2024¹⁴. Following the process described in the previous version of this document¹⁵, the Performance Panel and Ofgem's views will be published on Ofgem's website in summer 2024.

Step 10) Eighteen-month feedback

2.21. The ISOP will be required to publish a report at eighteen-months into the scheme, by the 17th working day of October 2024. Further guidance is provided in Chapter 4 on the reporting requirements for this report.

2.22. Ofgem will communicate its view on the ISOP's performance and provide a broad trajectory of performance at the eighteen-month stage. The review undertaken by Ofgem at this stage is intended to be an indication of progress. The depth and certainty of Ofgem's feedback will depend on the level of information received through the 18-month report.

2.23. We will not hold a formal stakeholder event or issue a call for evidence at this stage but will continue to engage widely with stakeholders throughout the incentive scheme.

Steps 11 to 12: Final performance evaluation

Step 11) The End of Scheme Review

2.24. By 16 May following the end of the assessment period, the ISOP will publish on its website, a report containing final evidence of its performance over the entire regulatory incentive scheme, known as the End of Scheme Report. Ofgem will also issue a call for evidence for stakeholder input on the ISOP's performance.

2.25. There will then be a review period of four weeks for stakeholders, the Performance Panel and Ofgem to review the final evidence. During this time, the Performance Panel and Ofgem may seek further clarifications from the ISOP around its End of Scheme Report (for

¹⁴ <https://www.nationalgrideso.com/document/318501/download>

¹⁵ <https://www.ofgem.gov.uk/publications/decision-electricity-system-operator-reporting-and-incentives-arrangements-guidance-document-2023-2025>

example, if there are any unclear or ambiguous points). The ISOP should respond to these questions promptly and in line with the general guidance in Chapter 4.

2.26. Following this review period, the ISOP will be required to attend a meeting to present the evidence contained in the End of Scheme Report to stakeholders and the Performance Panel. This meeting will be arranged by Ofgem for a date likely in mid-June following the end of the assessment period.

2.27. The Performance Panel will consider all evidence presented and conduct an assessment of the ISOP's performance against each of the original BP2 roles and the ISOP's new responsibilities, in line with the methodology in Chapter 3. Any notable differences between the members' views will be reflected in the commentary of the Performance Panel's performance reports and taken into account in our decisions. This report will be published on the Ofgem website.

2.28. Following the publication of the Performance Panel's recommendations, stakeholders including the ISOP will have two weeks to submit any further representations regarding the Performance Panel's report. The Authority will consider the evidence available before reaching a final decision on performance.

Steps 12) Authority's assessment

2.29. The Authority will consider the Performance Panel's recommendations, as well as any other evidence received or collected, and make a determination on the ISOP's performance. The chair of the Performance Panel will provide input to, and be engaged in, the Authority's decision, though will not be party to the decision itself. For the avoidance of doubt, the final decision will lie with the Authority who will form views based on the evidence available, including the Performance Panel's recommendation.

2.30. In advance of the Authority's decision being finalised, Ofgem will provide the ISOP with an explanation of where it plans to materially deviate from the Performance Panel's views, giving the ISOP an opportunity to provide additional evidence of its performance where needed.

2.31. The Authority will produce its final performance assessment by 31 August following the end of the assessment period, or such later date that it considers appropriate. This decision will be published on the Ofgem website.

3. ISOP performance assessment

The purpose of this chapter is to set out guidance for how the ISOP's performance will be evaluated by Ofgem for the BP2 period.

Summary of performance assessment approach

3.1. There will be two parts to the ISOP's performance assessment for the BP2 period:

- Part 1: the BP2 Roles Assessment
- Part 2: the ISOP Implementation Assessment

3.2. The BP2 Roles Assessment is a continuation of the assessment in place for the ESO for BP2. The ISOP's performance delivering three Roles is assessed and scored against a set of criteria and a 1-5 scoring methodology. Where appropriate, this assessment will consider enhanced ISOP responsibilities which are already closely related to activities that were carried out by ESO and which are well aligned with a specific Role activity.

3.3. The ISOP Implementation Assessment looks at the work carried out by the ESO/ISOP to establish the ISOP and its new roles more generally. This includes work carried out prior to the designation of the ISOP on FSO Transition Activities, as well as continued work by the ISOP until the end of BP2 to establish itself as a separate/independent entity. We will also consider the ISOP's performance carrying out its new roles and responsibilities.

3.4. A summary of the activities included in each assessment is included in Table 2.

Table 2: Summary of activities by assessment

| Assessment | Scope | Method |
|---|---|---|
| <p>Part 1: BP2 Roles Assessment</p> | <p>Role 1</p> <ul style="list-style-type: none"> • ESO BP2 Role 1 activities; • Enhanced Data and Digitalisation responsibilities, including with respect to gas. <p>Role 2</p> <ul style="list-style-type: none"> • ESO BP2 Role 2 activities; • Activities in relation to gas codes and future gas market strategy. <p>Role 3</p> <ul style="list-style-type: none"> • ESO BP2 Role 3 activities; • Enhanced Future Energy Pathways (FEP) work, including medium to long term gas demand and supply forecasting activities; • Enhanced strategic network planning work, including further development and implementation of the Centralised Strategic Network Plan (CSNP); • Further progress on electricity network competition. | <p>1-5 scoring of each role against five criteria and pre-defined performance expectations</p> <p><i>(See Chapters 2-4 of the Roles Guidance for the relevant expectations)</i></p> |
| <p>Part 2: ISOP Implementation Assessment</p> | <ul style="list-style-type: none"> • FSO Transition Activities; • Whole system security and resilience roles, including the Office of Energy Resilience and Emergency Management; • Advisory role; • All other gas-related work, including strategic network planning and the | <p>Additional qualitative assessment against pre-defined performance expectations</p> <p><i>(See Chapter 5 of the Roles Guidance for the relevant expectations)</i></p> |

| Assessment | Scope | Method |
|------------|---|--------|
| | development of the Gas Options Assessment; <ul style="list-style-type: none"> • Strategic Spatial Energy Plan (SSEP); • Work related to Regional Energy System Planners (RESPs); • All other work to develop new and prospective future ISOP activities. | |

3.5. The following sections describe the approach Ofgem will follow when carrying out the two parts of the assessment. It also set out the approach the Performance Panel should follow when making its performance recommendations to Ofgem and how Ofgem will take these recommendations into account.

Part 1: BP2 Roles Assessment

Setting performance expectations

3.6. Under the BP2 Roles Assessment we score the ISOP’s performance in each of its three Roles from 1-5. The evaluation’s scoring approach is based on an understanding of performance expectations for the ISOP. For the purposes of the ISOPRI arrangements, meeting our expectations equates to a level of performance expected from the ISOP which would merit a score of 3.

3.7. The Roles Guidance is an overarching guide for understanding our performance expectations and forms a key point of reference for the ISOPRI arrangements. The Roles Guidance sets out our expectations, and how the ISOP can exceed our expectations, for each of its activities. It is designed to align expectations between the ISOP, the ISOP’s customers and stakeholders, Ofgem, and the Performance Panel.

3.8. Ofgem’s Final Determinations also provide clear, ex-ante performance expectations¹⁶ through:

¹⁶ Further details can be found in Chapter 3, Appendix 1 and Appendix 2 of our Business Plan 2 Final Determinations – Electricity System Operator: <https://www.ofgem.gov.uk/publications/business-plan-2-final-determinations-electricity-system->

- Plan grading – Ofgem graded the delivery schedule for each role, with an explicit grading that aligns with the evaluation scoring for each role. This provides the ISOP with an ex-ante expectation of our assessment of plan delivery if these deliverables are met. Where we considered the delivery schedule not sufficiently ambitious, we highlighted this to set a clear reference point and align expectations in the incentive process.
- Setting performance measures – Ofgem set all performance measures (including performance metrics, stakeholder satisfaction surveys and other reported evidence). We also set the performance benchmarks for performance metrics to give the ISOP clarity on the level of performance that will meet or exceed our expectations.
- A value for money assessment – Ofgem assessed the ISOP's proposed internal costs against our cost expectations and set up-front grading for each role based on the requested funding. This grading provides the ISOP with an ex-ante expectation of our assessment of value for money based on the current information available. Where we considered costs to not meet our expectations, we highlighted this and the details of our concerns to set a clear reference point and align expectations in the incentive process.

3.9. In general, performance to date will be considered when setting baseline expectations for future performance. In compiling our Final Determinations, Ofgem reviewed previous Business Plan reports and performance to ensure continuity between the different assessment periods.

3.10. For the avoidance of doubt, we expect innovation to be a core part of the ISOP's business-as-usual activities and for this to be demonstrated through the ISOP's planned deliverables. Undertaking innovation projects, whether funded through the ISOP's main price control totex or through dedicated innovation funding, does not automatically qualify as exceeding expectations. The ISOP's delivery of outputs and outcomes as part of innovation-funded projects will be considered as part of the performance evaluation. However, we have excluded innovation-funded projects from the cost benchmarks because these costs are funded through a separate Use it or Lose It (UIOLI) funding mechanism, reflecting the lower technological readiness of these projects.

Performance evaluation criteria

3.11. The key criteria used to determine a score for each role are:

- a) Plan delivery;
- b) Metric performance;
- c) Stakeholder evidence;
- d) Quality of outputs; and
- e) Value for money.

3.12. These criteria are designed to be considered together to establish an overall picture of the ISOP's performance for each role. Below is the guidance to determine the ISOP's performance in relation to each of the criteria.

a) Plan delivery

3.13. The assessment should consider whether the delivery schedule has been successfully delivered on time and/or whether the ISOP has delivered additional outputs in line with the expectations in our Roles Guidance. The assessment should refer to Ofgem's Final Determinations, which grade the ISOP's two-year delivery schedule to indicate the link more clearly between on track plan delivery and performance assessment.

3.14. The assessment should consider where the ISOP can clearly explain why a plan deviation was in consumers' interest or outside of its control. In addition, where the ISOP has not produced an 'exceeding' delivery schedule (i.e. a delivery schedule graded as a 4 or 5), the assessment should consider whether the ISOP has demonstrated additional activities that would exceed expectations.

3.15. The ISOP should be considered to have *outperformed this criterion* if the ISOP has successfully delivered the key components of a 4- or 5-graded delivery schedule. Alternatively, the ISOP could outperform this criterion if the ISOP has outperformed a delivery schedule graded as a 3 or lower through delivering additional activities and outcomes that demonstrate the exceeding expectations guidance in our Roles Guidance. This may include

the ISOP clearly explaining the reasons why any major changes to the original delivery schedule timelines were in consumers' interest or outside of its control.

3.16. The ISOP should be considered to have underperformed this criterion if the ISOP has failed to deliver the key components of a 3-graded delivery schedule (or delivered only the key components of a 1- or 2-graded delivery schedule) and failed to successfully deliver additional activities that demonstrate the meeting expectations guidance in our Roles Guidance. This may include the ISOP not clearly explaining the reasons why any major changes to the original delivery schedule timelines were in consumers' interest or outside of its control.

b) Metric performance

3.17. The assessment should consider the ISOP's outturn performance against the performance metrics and the ISOP's reasons for this outturn performance. The numerical quantifications related to the metrics should be considered with the supporting explanations provided by the ISOP of the actions it has taken to achieve the outturn performance. The assessment should also consider any wider factors outside of the ISOP's control that could have impacted the performance metric (such as weather, market trends, policy etc).

3.18. The ISOP should be considered to have outperformed this criterion if the ISOP has exceeded expectations for the majority of its performance metrics and the ISOP has demonstrated that its actions have driven positive outturn metric performance. Alternatively, the ISOP may have significantly outperformed a certain metric that is particularly stretching or has high associated consumer value or the ISOP may have provided strong, convincing justifications for any metrics where performance has not exceeded expectations.

3.19. The ISOP should be considered to have underperformed this criterion if the ISOP has performed below expectations for the majority of metrics, and there are no strong reasons or mitigating circumstances for this. Alternatively, the ISOP may have significantly underperformed a particular metric that has high associated consumer costs; or the panel may be unconvinced that the supporting explanations provided by the ISOP demonstrate that its actions have driven positive outturn metric performance.

c) Stakeholder evidence

3.20. The assessment should consider stakeholders' satisfaction on the quality of the ISOP's plan delivery. This will include the results of the stakeholder satisfaction survey, views provided by stakeholders during the Mid-Scheme Review and End of Scheme Review processes, or any of the ISOP's consultations or ad hoc surveys throughout the year. Ofgem may also consider (and provide the Performance Panel with) any stakeholder views it has collected throughout the year. For example, through ongoing monitoring or consultations. The assessment should consider the ISOP's explanations for feedback received.

3.21. The ISOP should be considered to have *outperformed this criterion* if the 'exceeds expectations' category is the most common response category in the stakeholder satisfaction survey and/or there is a broad consensus¹⁷ amongst stakeholders that the ISOP has exceeded expectations for that role.

3.22. The ISOP should also be considered to have *outperformed this criterion* if the 'meets expectations' category is the most common response category in the stakeholder satisfaction survey, however, the 'exceeds expectations' category significantly outweighs the 'below expectations' category amongst stakeholders. Significantly outweighs refers to both the quantity of stakeholders scoring the ISOP as 'exceeds expectations' and/or the overall quality and strength of their feedback. The assessment should consider whether the ISOP has provided sufficient justification and explanation of any negative stakeholder feedback. In addition, outperformance may be demonstrated if there is evidence that the ISOP has actively sought and taken into account the feedback of stakeholders throughout the assessment period.

3.23. The ISOP should be considered to have *underperformed this criterion* if the 'below expectations' category is the most common response category in the stakeholder satisfaction survey and/or there is a broad consensus amongst stakeholders that the ISOP has performed below expectations for that role and the ISOP cannot provide satisfactory reasons for why this is the case. The ISOP should be considered to have underperformed this criterion if the 'meets expectations' category is the most common response category in the stakeholder satisfaction survey, however, the 'below expectations' category significantly outweighs the 'exceeds expectations' category amongst stakeholders. In addition, underperformance may

¹⁷ 'Broad consensus' does not mean there needs to be complete unanimity and agreement amongst stakeholders about the ISOP's performance. The Performance Panel and Ofgem may consider carefully whether the stakeholder feedback could be influenced by the particular interests of the party providing the feedback.

be demonstrated if there is evidence that the ISOP has not actively sought and taken into account the feedback of stakeholders throughout the business planning cycle.

d) Quality of outputs

3.24. The assessment should consider the actual benefits the ISOP has realised from delivering its Business Plan (or any outputs additional to the Business Plan), considering the quality of the outcomes and outputs actually delivered. This should place particular focus on outputs where the quality of delivery is not measured through performance metrics (criterion b)) or stakeholder satisfaction (criterion c)). In particular, the assessment should consider the ISOP's regularly reported evidence and reporting against the delivery schedule for each of its activities outlined in the original Business Plan. Where quantitative benefits cannot be clearly evidenced during the incentive scheme, the Performance Panel should explicitly consider 'how' the ISOP has delivered its Business Plan in line with the expectations in our Roles Guidance.

3.25. The assessment should consider both delivered outputs that produce benefits within the assessment period and delivered outputs that are expected to produce benefits in future periods. The assessment should consider whether the ISOP has taken concrete steps to progress its longer-term vision and medium-term strategy. For example, this may include considering whether the ISOP's interim deliverables have taken account of the energy system's evolving characteristics and/or whether the ISOP has adapted its activities flexibly to ensure deliverables have been delivered in a way that maximises benefits. The ISOP could demonstrate this through explaining the rationale for adaptations and providing evidence of greater benefits that result from adaptations.

3.26. The ISOP should be considered to have outperformed this criterion if the ISOP's reported evidence supports the realisation of the Business Plan's intended and identified benefits in most areas (for example, the regularly reported evidence shows a clear improvement in outcomes, in line with the ISOP's medium-term strategy). This may include the ISOP demonstrating that the actual outputs produced as part of an ambitious (i.e. 4- or 5-graded) delivery schedule deliver the ISOP's outlined success measures and directly achieve the intended benefits as outlined in the original Business Plan. The Performance Panel should also consider the ISOP has outperformed this criterion if it produces outputs that demonstrate most or all the 'exceeds expectations' guidance in our Roles Guidance. Alternatively, the ISOP may outperform this criterion if the ISOP has produced additional outputs that clearly seek to maximise benefits for consumers. This may include the ISOP

quickly and proactively identifying changes to existing plans and course-correcting where needed.

3.27. The ISOP should be considered to have underperformed this criterion if the ISOP's reported evidence does not support the realisation of the Business Plan's intended and identified benefits in most areas (for example, the regularly reported evidence does not show any improvement in outcomes). This may include the ISOP failing to demonstrate that the actual outputs produced as part of a delivery schedule are of sufficient quality to achieve their intended benefits as outlined in the original Business Plan. The assessment should also consider the ISOP has underperformed this criterion if it does not produce outputs that demonstrate the meets expectations guidance in our Roles Guidance. The ISOP may also have underperformed this criterion if it has not delivered necessary additional outputs that seek to maximise benefits for consumers. This may include the ISOP not identifying necessary changes to its original plan and course-correcting when this is clearly needed.

e) Value for money

3.28. The assessment should consider whether the ISOP has delivered value for money, striking the optimal balance between maximising benefit delivered from outputs whilst minimising costs. Value for money should be considered in the round, taking the other criteria into account and weighing them against the costs incurred by the ISOP.

3.29. For all investments and business activities within a role, the assessment should consider value for money to include demonstration of good industry practice in planning and delivery, as well as the context of the costs.

3.30. Good industry practice will differ across activities or types of activity. For example, where best practice is referenced for IT investment delivery, the ISOP is expected to be able to provide evidence of the referenced best practice and performance in line with that. For ISOP non-IT activities, best practice is likely to be more general and include, but not be limited to, demonstration of:

- consideration and assessment of a wide range of options for delivering a desired outcome, with clear rationale for the choices made;
- consideration of monetised and non-monetised consumer benefit; and
- consideration of the distribution of the benefits/costs across different groups/stakeholders/participants.

3.31. When reviewing the context for costs provided by the ISOP, the assessment should consider, but not be limited to, criteria such as¹⁸:

- Business Suitability – spend is necessary and has been appropriately prioritised against other activities;
- Resilience and adaptability – future uncertainty has been appropriately considered;
- Ongoing efficiency – value is managed throughout the life of the work; and
- Governance, including delivery and management of risk – spend is controlled, risks are managed and robust oversight and accountability is maintained.

3.32. The assessment should not automatically deem any overspend or underspend against the Business Plan forecasts as demonstration of poor or good value for money. The context, quality of the rationale and evidence provided for the deviation, in conjunction with the ISOP's outturn delivery of its outputs, Cost Monitoring Framework and IT RAG assessment, should be considered in the assessment of value for money.

3.33. The ISOP should be considered to have outperformed this criterion if it can provide a clear demonstration that it is operating to the highest standards, clear evidence that best practice is being followed, and evidence that the ISOP is taking all reasonable steps to maximise the value of its delivery through ongoing improvement.

3.34. The ISOP should be considered to have underperformed this criterion if it fails to demonstrate that it is operating to standard levels of industry good practice and/or provides insufficient evidence of driving ongoing improvement.

Scoring for each role

3.35. There is no explicit weighting associated with the evaluation criteria for each role. Instead, the criteria are the key aspects Ofgem will consider when carrying out an *overall* assessment of ISOP performance for each role, recognising that there will be a degree of overlap between the criteria in practice. The criteria will be considered holistically to assess the ISOP's performance. Ofgem will have discretion to consider areas of significant out- or underperformance when forming an overall view. Ofgem will then determine a final score for each role using the criteria set out in Chapter 3.

¹⁸ Specific technical criteria may also be considered where appropriate. For example, for IT investments it may be suitable to consider aspects such as the foundational capability of those investments.

3.36. For each of the roles, Ofgem will score the ISOP's overall performance on a scale of 1 to 5, where:

1 = Overall performance clearly does not meet performance expectations, for example the ISOP has strongly underperformed most criteria.

2 = Mixed overall performance and on balance the ISOP mostly did not meet expectations, for example the ISOP has net underperformance across the criteria.

3 = Mixed overall performance and on balance the ISOP mostly met expectations, for example underperformance and outperformance across the criteria balance each other out.

4 = Mixed overall performance and on balance the ISOP mostly exceeded expectations, for example the ISOP has net outperformance across the criteria.

5 = Overall performance clearly exceeds performance expectations, for example the ISOP has strongly outperformed most criteria.

3.37. There may be instances where Ofgem may have to consider evidence of competing positive and negative areas of performance within a role. In such cases Ofgem may use its expertise and informed judgement to evaluate where the overall balance of performance lies. For example, this may include consideration of the level of confidence in the reasons provided by the ISOP for its outturn performance levels (e.g. how robust a certain mitigating factor is) or whether specific areas of out- or underperformance are more consequential for consumers than others.

3.38. Ofgem will record and explain its reasons for the scores it assigns for the ISOP against each role and record its rationale in a report, as set out in Chapter 2. Ofgem may indicate within its report when a certain score was clear-cut or whether there was a close call between scores. This may be done through noting whether a specific score was 'low' or 'high'. For example, Ofgem may wish to signal a 'high 4' score when the ISOP has, on balance, exceeded expectations but outperformance is not quite considered strong enough to merit a score of 5. In practice, there may be crossover between roles (for example, the ISOP may develop an innovative whole-system solution that increases balancing cost efficiency; or, for example, poor outage coordination could increase within-year balancing costs). In these

circumstances, Ofgem may consider whether this should impact the score of multiple relevant roles.

Part 2: ISOP Implementation Assessment

3.39. The ISOP Implementation Assessment is a supplementary qualitative evaluation of how well the ISOP has performed against our 'Expectations on establishing the ISOP', which are set out in Chapter 5 the Roles Guidance.

3.40. Ofgem will consider the ISOP's performance against these expectations and form a view on the extent to which the ISOP has failed to meet, met or exceeded those expectations. Our assessment on the delivery of new roles and activities will also be guided by the 'Quality of Outputs' criteria outlined in Chapter 6 of the Roles Guidance.

3.41. The following information will be considered as an input to this assessment:

- a) Reporting related to spend and progress FSO Transition activities, including the End of Day 1 report;
- b) Relevant information on new and enhanced roles provided through the ISOP's performance reports;
- c) Experiences and evidence gathered from our ongoing monitoring of ISOP performance; and
- d) Any relevant stakeholder feedback.

3.42. Ofgem will summarise its key conclusions in the public report, alongside the assessment in Part 1.

Performance Panel assessment

3.43. The Performance Panel should carry out an assessment of the ISOP's performance as part of the End of Scheme Review and provide a recommendation to Ofgem. This should include recommendations in relation to both parts of the overall assessment (the BP2 Roles Assessment and the ISOP Implementation Assessment).

3.44. At a minimum the Performance Panel's assessment should provide its view whether the ISOP has overall fallen below, met or exceeded expectations in four areas: for each of the three BP2 roles and the ISOP implementation activities. This assessment should include consideration of the ISOP's delivery and quality of outputs; the evidence of value provided to consumers; and the feedback from the ISOP's stakeholders. The Performance Panel should draw out within its recommendations the specific reasons why it has reached these overall conclusions and should specify the activities or areas of performance that materially impacted these conclusions. The Performance Panel may choose to indicate where performance was borderline between two categories or scores.

3.45. The Performance Panel may also choose to follow the full assessment and scoring approach outlined in the previous sections of the chapter. However, we also recognise that the Performance Panel may not have the same degree of visibility of some aspects of ISOP performance as Ofgem (such as detailed value for money discussions under Cost Monitoring Framework and detailed involvement in the monitoring of ISOP implementation activities). The Performance Panel may therefore also choose, if it considers this to be appropriate, to carry out a more strategic and targeted assessment and recommendation (whilst still following the minimum guidance in paragraph 3.44). The Performance Panel should state the approach taken in its report.

3.46. Ofgem will consider the Performance Panel's recommendations when forming its final conclusions in relation to the ISOP's performance. The chair of the Performance Panel will also provide input to, and be engaged in, the Ofgem decision, though they will not be party to the decision itself.

3.47. If there is a significant deviation between Ofgem's assessment and the Performance Panel's report, then Ofgem may consider whether this is justified by the ISOP's outturn performance, evidence collected throughout the assessment period and any changing situations or context.

3.48. Ofgem will inform the ISOP of where it has reached a different conclusion from Performance Panel's report. The ISOP will then have an opportunity to provide additional evidence of its performance in these areas before Ofgem finalises its decision.

4. ISOP performance reporting requirements

This chapter outlines the reporting requirements on the ISOP as part of the ISOPRI arrangements and provides guidance on what these reports should contain.

Summary of within-scheme performance reporting

4.1. As outlined in Chapter 2, there are several reporting requirements on the ISOP as part of the ISOPRI arrangements. The specific outputs the ISOP should report on during the remainder of BP2 are included in Table 3 below. For specific outputs for past stages of BP2, please refer to the previous version of this document¹⁹.

Table 3: Summary of performance reporting requirements and frequency

| | Monthly Report | Eighteen-month Report | Quarterly Report | End of Scheme Report |
|-----------------------------|--|--|--|--|
| Timing | 17 th working day of the next month | 17 th October 2024 | 17 th January 2025 | 16 th May 2025 |
| BP2 Roles Assessment | | | | |
| Plan delivery | n/a | Progress against plan delivery schedule | n/a | Progress against plan delivery schedule |
| Metric performance | Outturn metric performance & supporting rationale (following the timings in Annex 2) | Outturn metric performance & supporting rationale (following the timings in Annex 2) | Outturn metric performance & supporting rationale (following the timings in Annex 2) | Outturn metric performance & supporting rationale (following the timings in Annex 2) |

¹⁹ <https://www.ofgem.gov.uk/publications/decision-electricity-system-operator-reporting-and-incentives-arrangements-guidance-document-2023-2025>

| | Monthly Report | Eighteen-month Report | Quarterly Report | End of Scheme Report |
|---------------------------------------|---|---|---|--|
| Stakeholder satisfaction | n/a | n/a | n/a | Results of stakeholder satisfaction surveys, including EMR Customer and Stakeholder satisfaction surveys. Optional narrative on stakeholder satisfaction |
| Quality of outputs | Regularly reported evidence ²⁰ | Regularly reported evidence | Regularly reported evidence | Report against the delivery schedule for each of the activities outlined in the ISOP's original Business Plan. Demonstration of how activities are delivered in line with ISOP Roles Guidance expectations. Regularly reported evidence |
| Value for money | | Update report on cost and delivery progress against roles and all ISOP specific IT investments. | Update report on cost and delivery progress against roles and all ISOP specific IT investments. | Update report on cost and delivery progress against roles and all ISOP specific IT investments. |
| ISOP Implementation Assessment | | | | |
| Progress updates | | Update on progress against new FSO activities and FSO Transition Activities. | n/a | Update on progress against new FSO activities and FSO Transition activities. |
| Spending updates | | Update on new FSO activity costs. | | Update on new FSO activity costs. |

²⁰ Monthly reporting is not applicable to all regularly reported evidence. See Annex 3 for further details.

4.2. These reporting documents should be consistent in their structure to allow comparison and read across from the Business Plan (where applicable) to the within-scheme reports and End of Scheme Report. This is to ensure that stakeholders and the Performance Panel can clearly track, review, and assess the ISOP's performance throughout the assessment period. The ISOP should engage with its customers and stakeholders and take into account any feedback on the content or structure of the reports. For BP2 Roles Assessment, the ISOP should structure these documents per role and subsequent activities to align with the evaluation process. The ISOP must ensure it considers the supporting guidance for each role and activity outlined in the Roles Guidance document when structuring its reports for each role.

4.3. Further reporting guidance on what is expected for each of these reports is provided below. The ISOP is required to publish all these reports on its website. Where there is any confidential or commercially sensitive information, this should be redacted.

4.4. The ISOP must ensure to the best of its knowledge that the information provided in respect of the reports in this section are accurate and correct. Where the ISOP identifies that the information provided is not accurate or correct, the ISOP must notify Ofgem and publish or resubmit corrected information as soon practicably possible, unless otherwise agreed with Ofgem.

Guidance around specific requirements

Plan delivery

4.5. The ISOP is required to update on its progress with its deliverables for the eighteen-month report and the End of Scheme Report. This should include publishing updates against a deliverables tracker²¹. All the deliverables included in the tracker should be clearly numbered and in a consistent format with the original Business Plan.

4.6. If any changes are made to the delivery schedule during the assessment period they should be clearly identified and outlined in the reporting documents (e.g. in a separate subsection), so it is clear where additional amendments have been made in comparison to the original Business Plan. This can ensure Ofgem, stakeholders and the Performance Panel

²¹ <https://www.nationalgrideso.com/document/284596/download>

understand the reasons for any changes to plans in advance of its evaluation of the ISOP's performance.

Metric performance

Performance metrics

4.7. The ISOP is required to regularly report on performance metrics to enable stakeholders to track its performance over the course of the regulatory period. When reporting on performance metrics, the ISOP should provide outturn metric performance data and supporting rationale.

4.8. The full list of performance metrics for BP2 is included in Annex 2.

Stakeholder evidence

Role stakeholder surveys

4.9. The ISOP is required to commission surveys from an independent, reputable market research company. Stakeholder satisfaction surveys will measure satisfaction for each ISOP role, focusing on the key activities within the role to track performance. Stakeholder satisfaction surveys must also gather feedback on satisfaction for the ISOP's new activities. We have outlined in Annex 4 the questions to be used for the stakeholder satisfaction surveys in BP2.

4.10. The surveys should be undertaken for the End of Scheme report so that they can inform the ISOP's final performance review. The key aspects of the survey, including questions, research methods, and types of participants will be approved by Ofgem.

4.11. We expect the surveys to be designed so that key drivers and themes of feedback are recorded and can be tracked over the course of the Business Plan.

EMR surveys

4.12. The ISOP is required to commission annually an Electricity Market Reform (EMR) Customer and Stakeholder Satisfaction survey²² (as outlined in Annex 1). The results of this

²² As part of its obligation outlined in Electricity System Operator licence condition G2.9(e)

survey are reported as part of the Regulatory Instructions and Guidance. Unless agreed otherwise with Ofgem, the ISOP should summarise the key outcomes of this survey within its End of Scheme Report.

Quality of outputs

Regularly reported evidence

4.13. The ISOP should report on 'regularly reported evidence' to support the realisation of the Business Plan's intended and identified benefits.

4.14. We have outlined in Annex 3 the regularly reported evidence for BP2. This includes the methodologies to be used and the frequency of reporting required.

Benefits reporting

4.15. The ISOP should report against the delivery schedule for each of its activities outlined in its original Business Plan, focusing predominately on areas not picked up by performance metrics or regularly reported evidence.

4.16. Reporting should refer to the specified success measures from the original Business Plan Delivery Schedule and the relevant performance measures. The ISOP should also include clear justifications for any changes to benefits expected from the Business Plan.

4.17. For any material new activities not covered by the original Business Plan CBA, case studies should be presented detailing the consumer benefit of these activities. The ISOP's calculation of these benefits should follow the requirements outlined in the section on 'General standards of conduct on reporting' below.

4.18. Where there are new material interventions or changes to arrangements, strong evidence should also include a clear demonstration that the ISOP has, where appropriate, assessed multiple solutions to issues and chosen the ones that maximise consumer value. The ISOP should provide a clear articulation of why a particular option was chosen, demonstrating that the ISOP has assessed consumer value for each option. In addition, it should be clear that the ISOP has not solely pursued an ISOP-led solution without considering whether pursuing or supporting other industry initiatives could have resulted in greater consumer value.

Demonstration of Delivery in line with Roles Guidance Expectations

4.19. Where the ISOP cannot clearly demonstrate the benefits from its Business Plan through other reporting (quantitative benefit reporting or regularly reported evidence), the ISOP should demonstrate *how* the delivery of its delivery schedule meets our expectations in the Roles Guidance.

Value for money²³

4.20. At a minimum, we require that value for money evidence is presented at a role-by-role level and disaggregated by IT and non-IT categories. For Ofgem to be able to assess with greater accuracy and better distinguish where the ISOP has exceeded the value for money criterion, we will require higher quality evidence. For example, we will require a more granular level of detail regarding specific activities, actions taken and associated costs.

4.21. IT cost reporting should be clearly labelled with any associated IT investment(s). If a given role is not the sole beneficiary of that IT investment, it should be made clear how that cost has been derived.

4.22. Costs that are shared between roles, such as Business Support costs, should be disaggregated to an appropriate level as to facilitate effective scrutiny.

4.23. The ISOP should provide a clear rationale, supported by high quality evidence, for:

- any deviation from its Business Plan costs;
- any deviation from its Business Plan or publicly announced deliverables or outputs; and,
- any delivered activity that the ISOP believes represented value for money that would be considered 'exceeding expectations'.

²³ The Regulatory Reporting Pack remains the formal cost report for the ISOP.

ISOP Implementation Assessment reporting

4.24. The ISOP must provide updates, as part of its 18 month and End of Scheme reports, on its progress and spending on the FSO Transition Activities and its delivery of new ISOP activities not integrated within the BP2 Roles Assessment (as indicated in Table 3).

4.25. The reports should explain where there have been major changes to expected total spend compared to original costs forecasts²⁴ and the reasons why. To the extent that this has already been explained in previous reporting to Ofgem on the FSO Transition Activities, then these reports can contain an abridged summary of those previous reports, with more focus on spending from the point of ISOP designation to the end of BP2.

4.26. The reports should also provide summary updates on progress against the expectations outlined in Chapter 5 of the Roles Guidance, including the ISOP's delivery of major new outputs from its new activities.

4.27. The detailed format of this reporting must be agreed with Ofgem at least one month prior to the submission of the 18-month report.

4.28. Given the interrelated nature of the ISOP's activities, we recognise that there may be crossover between BP2 Roles Assessment and the ISOP Implementation Assessment in some cases. The ISOP can suggest alternative ways of allocating costs and activities between the two assessments and/or reporting processes if this can result in a clearer and more streamlined assessment. These changes should be first agreed with Ofgem.

Cost Monitoring Framework reporting

4.29. The ISOP is required to provide quarterly reports as part of the Cost Monitoring Framework. The primary focus of this regular reporting is on the ISOP's IT investments and IT portfolio. We have not specified any requirements for reporting non-IT costs, however it may be necessary on certain occasions for the ISOP to provide information relating to non-IT costs if requested by Ofgem.

4.30. A working paper between the ISOP and Ofgem will be established ahead of the first Cost Monitoring Framework quarterly report. This will set out the guiding principles of the

²⁴ Including the ESO's BP2 FSO annex and Ofgem's June 2023 consultation on 'Funding the transition to a Future System Operator'.

Cost Monitoring Framework and include details such as: the agreed structure of the reports, the information required on a quarterly basis to facilitate effective monitoring and the manner of ongoing engagement with Ofgem and with industry. The reporting should include sufficient information to provide clarity to Ofgem on the progress of the ISOP's IT investments and is expected to be in line with the position we set out in the Draft Determination²⁵.

General standards of conduct on reporting

4.31. This Governance Document also sets out general standards of conduct that should apply to all reporting performed by the ISOP. These are that the ISOP must ensure that:

- All reports are accessible and easy to understand, and give prominence to the most pertinent information;
- All reports provide a fair and complete picture of the ISOP's performance, including both areas of out- and underperformance;
- Due care and attention are taken to ensuring that information provided in any reports are, to the best of the ISOP's knowledge at the time of submission, accurate and complete;
- Where the ISOP identifies that inaccurate information is being reported, the Authority must be notified, and corrections made to the report as soon as practically possible;
- Where material amendments are made to any information provided in a report, these amendments are clearly communicated to stakeholders and the Authority and are clearly identified in the reports; and
- It takes on board the Authority's and/or relevant stakeholders' feedback on the reports and factors this into the development of future versions (or provides a reasonable explanation for why feedback cannot be included).

²⁵ Chapter 4, RIIO-2 Business Plan 2 - ESO Draft Determinations: [RIIO-2 Business Plan 2 - ESO Draft Determinations | Ofgem](#)

4.32. Where the ISOP provides estimates of delivered or forecast benefits in its report, it must in all cases:

- Include a transparent methodology showing how these benefits are calculated, including the inputs used and assumptions made;
- Clearly set out the period over which the benefits have accrued or will accrue; and
- Where the ISOP has delivered balancing cost savings within BP2, this should be clearly cross-referenced with the reporting for the balancing cost metric (metric 1A Balancing costs).

Annex 1: EMR survey

Background

1.1. Under the ISOP's previous licence (held by the ESO) the ISOP had requirements to carry out customer and stakeholder surveys on its performance as the Electricity Market Reform (EMR) Delivery Body, including customer and stakeholder satisfaction in relation to the Contracts for Difference (CfD) and Capacity Market (CM) processes.

1.2. The new ISOP licence removed this requirement to enable a potential future integration of this survey within the broader stakeholder survey carried out by the ISOP under its performance incentives in the ISOPRI arrangements.

1.3. However, given the licence came into effect within an existing regulatory period, we are maintaining the EMR survey requirements within this governance document until the end of BP2.

Requirements

1.4. Unless otherwise agreed with the Authority, the ISOP must carry out Customer and Stakeholder Satisfaction Surveys at least once in each Regulatory Year to assess Customer and Stakeholder satisfaction with its CM and CfD activities.

1.5. If no results of a CfD allocation round were published either in or in respect of a Regulatory Year, then the ISOP is not obliged to conduct the CfD Customer and Stakeholder Satisfaction Surveys.

1.6. If no results of a CM auction were published either in or in respect of a Regulatory Year, then the ISOP is not obliged to conduct the CM Customer and Stakeholder Satisfaction Surveys.

1.7. When conducting a Customer and Stakeholder Satisfaction Survey in relation to either CM or CfD, the ISOP—

- (a) may include such questions as it considers appropriate; but
- (b) must include a question that asks for overall satisfaction with the ISOP's performance of its CfD or CM activity respectively, to be rated on a scale of 1 to 10 where 1 is low and 10 is high.

1.8. The ISOP must report on the outcomes of each overall customer and stakeholder satisfaction question in accordance with Condition G3 (Regulatory Instructions and Guidance (RIGs)).

1.9. The ISOP must publish the outcomes of each survey on its website during the period of three months beginning with the date on which each survey takes place.

1.10. The ISOP must provide the Authority with a report on each Customer and Stakeholder Satisfaction Survey and the report must include the following information:

- (a) a list of each of the questions included, and their average scores across all respondents;
- (b) a comprehensive summary of responses to each of the questions; and
- (c) a detailed list of future actions the licensee will take to build on the responses received in the Customer and Stakeholder Satisfaction Surveys.

Annex 2: Performance metrics 2023-25

Table 4 sets out the details of the performance metrics for 2023-25. Within this we have included annual performance benchmarks to further support transparency of the ISOP’s within-scheme performance. For the avoidance of doubt, the ISOP’s outturn performance against the performance metrics (and the ISOP’s reasons for this outturn performance) over the complete two-year period will be considered for the final assessment.

Table 4: Performance metrics set for the remainder of BP2

| | |
|----------------------------|--|
| Role 1 | |
| 1A. Balancing costs | |
| Method | <p>This metric measures the ISOP’s outturn balancing costs (including Electricity System Restoration costs) against a balancing cost benchmark. The methodology includes the following elements:</p> <ol style="list-style-type: none"> 1. Benchmark created using monthly data from the preceding 3 years. 2. A straight-line relationship established between historic constraint costs, outturn wind generation and the historic wholesale day ahead price of electricity. 3. A straight-line relationship established between historic non-constraint costs and the historic wholesale day ahead price of electricity. 4. Ex-post actual data inputted into the equation created by the historic relationships to create the monthly benchmarks. |
| Performance benchmarks | <p>Exceeds 10% lower than the <i>annual balancing cost benchmark</i></p> <p>Meets Within $\pm 10\%$ of the <i>annual balancing cost benchmark</i></p> <p>Below 10% higher than the <i>annual balancing cost benchmark</i></p> |
| Reporting frequency | Monthly |
| Associated reporting | Explicit reporting on key monthly drivers of costs, including: |

| | |
|-------------------------------|--|
| | <ul style="list-style-type: none"> • Volumes of actions taken disaggregated to constraint and non-constraint actions, • any major network outages, and • any material changes in energy balancing prices. |
| 1B. Demand forecasting | |
| Method | <p>Measures the average absolute MW error between day-ahead forecast demand (taken from Balancing Mechanism Report Service (BMRS²⁶) as the National Demand Forecast published between 09:00 and 10:00) and outturn demand (taken from BMRS as the Initial National Demand Outturn) for each half hour period. The benchmarks are drawn from analysis of historical errors for the five years preceding the performance year.</p> <p>5% improvement in historical 5-year average performance expected, with range of $\pm 5\%$ used to set benchmark for meeting expectations.</p> <p>In settlement periods where Optional Downward Flexibility Management (ODFM) and/or Demand Flexibility Service (DFS) are instructed by the ISOP, this will be retrospectively accounted for in the data used to calculate performance. The ISOP shall publish the volume of instructed ODFM to enable this to be done.</p> |
| Performance benchmarks | <p>Exceeds</p> <p>Year 1: < 5% lower than 95% of average value for previous 5 years. Year 2: As for Year 1, but with 5-year period refreshed.</p> <p>Meets</p> <p>Year 1: $\pm 5\%$ window around 95% of average value for previous 5 years. Year 2: As for Year 1, but with 5-year period refreshed.</p> <p>Below</p> <p>Year 1: > 5% higher than 95% of average value for previous 5 years. Year 2: As for Year 1, but with 5-year period refreshed.</p> |
| Reporting frequency | Monthly |

²⁶ <https://www.bmreports.com/bmrs/?q=demand/>

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| <p>Associated reporting</p> | <p>The narrative on performance against the benchmark should compare to monthly indicative figures (calculated as 95% of the average value for the previous 5 years’ data for the same calendar month). This is an indicative process only and does not necessarily reflect the final annual figure.</p> <p>The ISOP should also include in their monthly reports:</p> <ul style="list-style-type: none"> • Narrative relating to the effect of Triad avoidance; and • Notification of any missed / late publication of forecast data for the previous month, including the reasons for the missed / late publication. <p>The ISOP should provide Ofgem with the forecasts and performance of any operational forecast used that account for the sensitivity of demand to anticipated market prices for electricity.</p> |
| <p>1C. Wind generation forecasting</p> | |
| <p>Method</p> | <p>Measures the average absolute error between day-ahead forecast (between 09:00 and 10:00, as published on ISOP data portal²⁷) and outturn wind generation (as published on ISOP data portal) for each half hour period as a percentage of capacity for BM wind units only. The data will only be taken for sites that:</p> <ul style="list-style-type: none"> • did not have a bid-offer acceptance (BOA); • did not withdraw availability between time of forecast and time of metering; <p>for the relevant settlement period. The ISOP will publish this data on its data portal for transparency purposes.</p> <p>Sites deemed to have withdrawn availability are those that:</p> <ul style="list-style-type: none"> • re-declare maximum export limit (MEL) from a positive value day-ahead to zero at real-time; • re-declare their physical notification (PN) from a positive value day-ahead to zero at gate closure of the Balancing Mechanism. |

²⁷ <https://data.nationalgrideso.com/>

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| | <p>The benchmarks are drawn from analysis of historical errors of the five years preceding the performance year. 5% improvement in performance expected on the 5-year historical average, with range of $\pm 5\%$ used to set benchmark for meeting expectations.</p> |
| <p>Performance benchmarks</p> | <p>Exceeds Year 1: < 5% lower than 95% of average value for previous 5 years. Year 2: As for Year 1, but with 5-year period refreshed.</p> <p>Meets Year 1: $\pm 5\%$ window around 95% of average value for previous 5 years. Year 2: As for Year 1, but with 5-year period refreshed.</p> <p>Below Year 1: > 5% higher than 95% of average value for previous 5 years. Year 2: As for Year 1, but with 5-year period refreshed.</p> |
| <p>Reporting frequency</p> | <p>Monthly</p> |
| <p>Associated reporting</p> | <p>The monthly narrative on performance against the benchmark should compare to monthly indicative figures (calculated as 95% of the average value for the previous 5 years' data for the same calendar month). This is an indicative process only and does not necessarily reflect the final annual figure.</p> <p>The ISOP should also include in their monthly reports:</p> <ul style="list-style-type: none"> • The details if wind units withdraw availability or become available between time of forecast and time of metering; and • Notification of any missed / late publication of forecast data for the previous month, including the reasons for the missed / late publication. <p>Additionally, the ISOP should publish on its data portal the following:</p> <p>Half hourly and unadjusted for BOAs for BM wind units only:</p> <ul style="list-style-type: none"> • Day ahead wind forecast; • Metered wind outturn; and • Wind capacity. |

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| | <p>Half hourly broken down by BM wind unit:</p> <ul style="list-style-type: none"> • Day ahead wind forecast; • The closest to real time wind forecast; • Metered wind outturn; • An indication of whether in that half hour a BOA was issued for that site; • The associate volume specified in any BOA for that site; • An indication of whether that site re-declared its MEL from a positive MW value at day-ahead to zero MW at real time or re-declared its PN from a positive MW value at day-ahead to zero MW at gate closure of the Balancing Mechanism; and • The locational tag to BM wind unit forecasts. <p>The ISOP should send all associated reporting to Ofgem in an appropriate time.</p> |
| 1D. Short notice changes to planned outages | |
| Method | Measures the number of planned outages delayed by more than an hour or cancelled in the control phase (within day) due to process failure, per 1,000 outages. |
| Performance benchmarks | <p>Exceeds Year 1: <1 Year 2: <1</p> <p>Meets Year 1: 1 to 2.5 Year 2: 1 to 2.5</p> <p>Below Year 1: >2.5 Year 2: >2.5</p> |
| Reporting frequency | Quarterly |
| Associated reporting | Narrative on performance against benchmark. |
| Role 2 | |

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| <p>2Ai. Phase-out of non-competitive balancing services</p> | |
| <p>Method</p> | <p>Measures % of non-competitive services based on volume of contracted services for all relevant services currently procured by the ISOP. Expectations are set for the current suite of products and may be revised if new products are introduced. Excludes SO-SO trades.</p> <p>We have set benchmarks for the following categories: Frequency response and Reserve, Reactive power, and Constraints.</p> <p>Benchmarks are set based on the ISOP’s current and projected procurement for each of these services. The ISOP will report on MW procurement volumes for all of the services, apart from reactive power where reporting is against procurement volumes in MVA_r.</p> |
| <p>Performance Benchmarks</p> | <p>Frequency response & Reserve Y1: 25% Y2: 20%</p> <p>Reactive power Y1: 90% Y2: 90%</p> <p>Constraints Y1: 65% Y2: 55%</p> <p>Exceeds 5% or more lower than annual procurement benchmark</p> <p>Meets Within ± 5% of the annual procurement benchmark</p> <p>Below 5% or more higher than the annual procurement benchmark</p> |
| <p>Reporting frequency</p> | <p>Biannually</p> |

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| <p>Associated reporting</p> | <p>The ISOP should include the following in their reports:</p> <ul style="list-style-type: none"> • A breakdown of spend for each of the following services: frequency response, reserve, reactive power and constraints; • A list of services procured competitively and non-competitively; • The spend for services procured competitively; and • Narrative on SO-SO trades²⁸ made during the period, including measures taken to avoid such trades. |
| <p>2X. Day-ahead procurement</p> | |
| <p>Method</p> | <p>Measures percentage of balancing services²⁹ procured at no earlier than the day-ahead -stage.³⁰</p> <p>Benchmarks are set based on expected product expirations and expectations for new procurement volumes.</p> <p>Expectations are set for all relevant services currently procured by the ISOP and may be revised if new products are introduced.</p> |
| <p>Performance benchmarks</p> | <p>Y1: 55%</p> <p>Y2: 80%</p> <p>Exceeds 5% or more higher than the annual day-ahead procurement benchmark</p> <p>Meets Within \pm 5% of the annual day-ahead procurement benchmark</p> <p>Below 5% or more lower than the annual day-ahead procurement benchmark</p> |

²⁸SO-SO trades refer to trades made between system operators of connected countries, used to determine the direction of electricity flow over interconnectors.

²⁹ Note that for services introduced during BP2, only those that displace those procured earlier than day-ahead or those procured at earlier than day-ahead should be added to the list of balancing services for the purposes of this metric.

³⁰ Note that in line with the terms of a derogation from the requirements of Article 6(9) of the Electricity Regulation, the ISOP is required to procure **at least** 30% of services no earlier than day-ahead stage. An example of a derogation held by the ISOP detailing this requirement can be accessed here: <https://www.ofgem.gov.uk/publications/decision-grant-eso-derogation-requirements-article-69-electricity-regulation-and-exemption-requirements-article-323-ebgl-mandatory-and-firm-frequency-response>

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| Reporting frequency | Quarterly |
| Associated reporting | Requirement to provide accompanying narrative on the progress of response and reserve products and phase-out of legacy products, including reasons for product reform delays. |

Annex 3: Regularly reported evidence 2023-25

Table 5: Regularly reported evidence set for BP2

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| Role 1 | |
| 1E. Transparency of operational decision making | |
| Method | Measures the % of balancing actions taken outside of merit order in the Balancing Mechanism each month. |
| Quantitative expectations | n/a |
| Reporting frequency | Monthly |
| Associated reporting | <p>The ISOP’s supporting rationale for the % of actions taken outside of the merit order including trends seen over the course of BP2. This should include an explanation of any steps being taken that may change the future trends.</p> <p>The ISOP will also report three supporting statistics:</p> <ul style="list-style-type: none"> • Monthly percentage of actions taken in merit order, or out of merit order due to an electrical parameter (e.g. voltage constraint); • Monthly percentage of actions that have reason groups³¹ allocated; and • Monthly number of actions without a reason. <p>Reporting to include narrative explaining:</p> <ul style="list-style-type: none"> • the action the ISOP is taking to increase transparency of operational decision making; • the causes of actions being taken outside of merit; and • the actions planned or taken by the ISOP to address the need for actions to be taken out of the merit order. |

³¹ Reason groups are defined in the methodology published on the ISOP's data portal (<https://data.nationalgrideso.com/balancing/dispatch-transparency>) and provide a descriptor for when an action is taken out of merit order.

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| <p>1F. Zero Carbon Operability (ZCO) indicator</p> | |
| <p>Method</p> | <p>Measures the proportion of zero carbon transmission connected generation that the system can accommodate. The ZCO indicator is defined as:</p> $ZCO(\%) = \frac{(Zero\ carbon\ transmission\ connected\ generation)}{(Total\ transmission\ connected\ generation)} \times 100$ <p>Zero carbon generation is defined as electricity generation that produces zero carbon emissions at the point of generation. This includes hydropower, nuclear, solar, wind and pumped storage technologies.</p> <p>This regularly reported evidence will be structured as follows:</p> <p><u>Part 1: defining the maximum ZCO limit</u></p> <p>The ISOP will define the approximate maximum ZCO limit (using a reasonable approximation of likely operating conditions), the system can accommodate at the start and end of BP2, explaining which deliverables are critical to increasing the limit.</p> <p><u>Part 2: regular reporting on actual ZCO</u></p> <p>Every quarter, the ISOP will report the data on the ZCO provided by the market versus the ZCO following ISOP actions. This should be presented at a monthly granularity.</p> <p><u>Part 3: updates on progress towards increasing the ZCO limit</u></p> <p>Every year, the ISOP will provide detailed case studies on the periods where the market delivered the highest ZCO and the actions the ISOP had to take in response. The ISOP will provide updates of any actions that are expected to have a material impact on the ZCO limit or are expected to in the future. The ISOP will report this as part of its Mid-Scheme and End of Scheme Reports.</p> |
| <p>Quantitative expectations</p> | <p>n/a</p> |

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| Reporting frequency | Part 1: In first quarterly report and End of Scheme Report Part 2: Quarterly Part 3: Annually (Mid-Scheme and End of Scheme Reports) |
| 1G. Carbon intensity of ISOP actions | |
| Method | <p>Calculates the approximate gCO₂/kWh of actions taken by the ISOP, considering the proportion of the total CO₂ emissions on the system which is a result of ISOP actions.</p> <p>The ISOP will use its carbon intensity forecast methodology³² to estimate carbon intensity factors for each fuel type and interconnector import.</p> <p>The ISOP will report on aggregated settlement period data. Full data will be available on the ISOP data portal.</p> |
| Quantitative expectations | n/a |
| Reporting frequency | Monthly |
| 1H. Constraints cost savings from collaboration with TOs | |
| Method | <p>Measures the estimated £m avoided constraints costs through solutions brought forward in STCP 11.4.</p> <p>Where applicable, these savings should be calculated in line with the methodology that will be developed as part of the new financial incentive on TOs (the SO:TO Optimisation ODI-F). In other cases, the ISOP should state the assumptions used for its estimated savings.</p> <p>The ISOP should provide additional narrative on any other solutions, such as outage planning actions, and the impact of these solutions on balancing costs.</p> |

³² The ISOP's carbon intensity forecast methodology can be found at: www.carbonintensity.org.uk

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| Quantitative expectations | n/a |
| Reporting frequency | Quarterly |
| 1I. Security of Supply reporting | |
| Method | <p><u>Part 1: Excursions</u></p> <p>Monthly reporting on instances of any:</p> <ul style="list-style-type: none"> i. frequency excursions outside 0.3Hz for more than 60 seconds. ii. voltage excursions outside statutory limits <p><u>Part 2: Annual backward and forward-looking reporting</u></p> <p>Annual summary of the ISOP’s compliance with its frequency control methodology and plans for any future changes to the methodology.</p> |
| Quantitative expectations | n/a |
| Reporting frequency | Part 1: Monthly Part 2: Annual |
| 1J. CNI outages | |
| Method | Number and length of planned and unplanned outages to critical national infrastructure (CNI) IT systems. |
| Quantitative expectations | n/a |
| Reporting frequency | Monthly |
| Role 2 | |
| 2Aii. Balancing services procured in a non-competitive manner | |
| Method | <p>Measures the volume and spend for non-competitive services for contracts signed after 31 March 2023.</p> <p>Legacy Short-Term Operating Reserve (STOR) and Enhanced Frequency Response (EFR) contracts will be excluded. However, all SO-SO trades and NTC application, as well as any other non-</p> |

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| | competitively procured services with contract award after this date, will be included. |
| Reporting frequency | Quarterly |
| Associated reporting | <p>The ISOP should explain the rationale for the need to take actions including:</p> <ul style="list-style-type: none"> • why competitive alternatives were not chosen; • why alternatives were not available (e.g. delays to product reform programmes); and • actions being taken to increase availability of competitive alternatives. |
| 2D. EMR demand forecast accuracy | |
| Method | Measures the ISOP’s accuracy of Peak national demand forecasts for Capacity Market auctions. |
| Quantitative expectations | See Table 8 below |
| Reporting frequency | Following the end of the forecasted delivery year. |
| Scope | All forecasts that outturn post 1 April 2023 will be assessed against this measure. |
| 2E. Accuracy of forecasts for charge setting | |
| Method | Measures the accuracy of Transmission Network Use of System (TNUoS) and Balancing Services Use of System (BSUoS) forecasts used to set industry charges against actual charges. |
| Quantitative expectations | n/a |
| Reporting frequency | TNUoS Charges – Annually BSUoS Charges - Quarterly |
| Role 3 | |
| 3A. Future savings from operability solutions | |

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| <p>Method</p> | <p>Forecast medium to long term benefits from new operability solutions (including the Networks Options Assessment (NOA) pathfinders (now called Network Services Procurement) and other operability measures).</p> <p>We expect this to measure to include, where applicable, estimated:</p> <ul style="list-style-type: none"> • Saved balancing costs • Saved infrastructure costs • Monetised carbon reductions • Any indicative impact on the SZCP limit <p>This should be underpinned by transparent, published benefit calculation methodology.</p> <p>The final details of this measure, such as the calculation and presentation of benefits, as well as scope of solutions included, will be agreed with the ISOP before the ISOP report on RRE 3A.</p> |
| <p>Quantitative expectations</p> | <p>n/a</p> |
| <p>Reporting frequency</p> | <p>Six-monthly</p> |
| <p>3X. Timeliness of connection offers</p> | |
| <p>Method</p> | <p>The ISOP will report quarterly on the number of connection offers made within 3 months, and the number of connection offers made that took longer than 3 months.</p> <p>The ISOP will provide Ofgem with this information separately for the England and Wales area, the Scotland area and by TO area.</p> <p>In Y1, in England and Wales - while the two-step offer process is running - the ISOP will report:</p> <ul style="list-style-type: none"> • the number of one-step offers issued within 3 months; • the number of two-step offers issued within nine months after counter signature of the step one offer; and |

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| | the number of any connection offers that took longer than the above timeframes. |
| Reporting frequency | Quarterly |
| Associated reporting | <p>The ISOP should provide reasons, including those outside its control, where they have missed deadlines, including where derogations have been granted, the length of any delay, and any trend analysis. The ISOP should also explain any process improvements implemented to address any underlying issue and include information on the performance of the 2-step process.</p> <p>The ISOP should report on the scale of the connection queue in terms of GW and average time from offer acceptance to connection date, including the delta from when this data was last reported. The ISOP should also include a breakdown of assets in the connection queue by size and technology type, TO (or more granular) area and comment on any trends.</p> |
| 3Y. Percentage of 'right first time' connection offers | |
| Method | Measures the % of connection offers made which did not need reissuing. ³³ |
| Quantitative expectations | n/a |
| Reporting frequency | Quarterly |
| Associate reporting | <p>The ISOP will report the percentage of connection offers made over the period which were right first time, in addition to a breakdown of connection offers which needed reissuing by reason.</p> <p>The ISOP will report the total number of connection offers made in the period and provide Ofgem with this information separately for the England and Wales area, and the Scotland area, in addition to by TO area. During the period where the 2-step offer process is in place, the ISOP will report this separately for step 1 and step 2 offers. This will subsequently revert to a single offer.</p> |

³³ Other than as provided for under the 2 step offer process. This process is due to conclude by 1 March 2024.

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| | The ISOP will provide commentary around the numbers reported for this, particularly if any trends are apparent. |
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Table 6: Quantitative performance expectations for regularly reported evidence 2D (EMR demand forecasting)

| | Exceeding expectations | In line with expectations | Below expectations |
|----------------|-------------------------------|----------------------------------|---------------------------|
| 2021-22 T-1 | <2% peak demand accuracy | 2% peak demand accuracy | >2% peak demand accuracy |
| 2021-22 T-4 | <4% peak demand accuracy | 4% peak demand accuracy | >4% peak demand accuracy |
| 2022-23 T-1 | <2% peak demand accuracy | 2% peak demand accuracy | >2% peak demand accuracy |
| 2022-23 T-4 | <4% peak demand accuracy | 4% peak demand accuracy | >4% peak demand accuracy |

Annex 4: Stakeholder satisfaction survey 2023-25

Survey method

The survey will be undertaken either by phone and/or online, dependent on stakeholder preferences.

Participants

The survey will be targeted at senior managers, decision makers and experts and will include a wide selection of relevant stakeholders who have had material interactions with the ISOP's services. The exact survey participants will be determined by the ISOP's stakeholder contacts database. We expect the ISOP to maintain up to date contact details of its stakeholders.

Questions

The ISOP will ask one question on stakeholder satisfaction for each role, outlined below:

"One of our ISOP roles is focused on [Control Centre Operations], which includes key activities such as [real-time system operation], [system restoration] and [provision of data and forecasting].

Overall, from your experience engaging with ISOP teams in these areas in the last six months, how would you rate the ISOP's performance?

- a) Below expectations / Meeting expectations / Exceeding expectations / Don't know
- b) Please explain your reasoning."

The ISOP's recent activities for each role should draw from the most relevant deliverables over the past six months of activity.

The ISOP will also ask one question on stakeholder satisfaction on the ISOP's performance establishing its new organisation and roles. This question should be agreed with Ofgem in advance.

Annex 5: Glossary of ISOPRI Governance terms

Table 7: Glossary of key terms used in ISOPRI Governance

| Element | Description |
|--|---|
| Activity | A subset of responsibilities within a role with specific expectations and deliverables attached to it. |
| Assessment Period | Has the meaning given in the ISOP’s Electricity System Operator and Gas System Planner licences. |
| Balancing Mechanism (BM) | Has the meaning given in the ISOP’s Electricity System Operator licence. |
| Balancing Services Use of System (BSUoS) Charges | Has the meaning given to that term in the CUSC Section 11.3. |
| Business Plan | Details the ISOP’s costs, activities, deliverables, and performance metrics for delivering its strategy over the first two years of the RIIO-2 period. |
| Business plan cycle | The business plan cycle is the period for which the business plan is applicable. The second business plan cycle (BP2) covers the incentive scheme starting on 1 April 2023 and ending on 31 March 2025. |
| Capacity Market (CM) | Has the meaning given in the ISOP’s Electricity System Operator licence. |
| Contracts for Difference (CfD) | Has the meaning given in the ISOP’s Electricity System Operator licence. |
| Deliverable | A specific delivered output within an activity which has associated delivery dates and success measures. |
| Delivery schedule | A grouping of deliverables for either a role or the Business Plan. |
| Demand Flexibility Service (DFS) | An ISOP balancing service, as approved into the terms and conditions related to balancing by Ofgem ³⁴ . |
| Electricity Market Reform (EMR) | Has the meaning given in the ISOP’s Electricity System Operator licence. |

³⁴ <https://www.ofgem.gov.uk/publications/decision-demand-flexibility-service-relation-update-terms-and-conditions-related-balancing-202324>

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| Electricity Regulation | Regulation (EU) 2019/943, as amended by The Electricity and Gas (Internal Markets and Network Codes) (Amendment etc.) (EU Exit) Regulations 2020. |
| Electricity System Operator (ESO) | The entity which was designated as ISOP in 2024. |
| Enhanced Frequency Response (EFR) | An ISOP balancing service which is no longer actively procured, as established within the Procurement Guidelines Statement. |
| Evaluation criteria | The criteria used by the ISOP Performance Panel to measure the ISOP's performance for each role. |
| Incentive scheme | The process over a business plan cycle to assess the ISOP's performance against five key criteria, resulting in the award of a £m reward or penalty. |
| Initial National Demand Outturn | Has the meaning given in the Balancing and Settlement Code ³⁵ . |
| ISOP Performance Panel | A mix of independent experts and industry representatives that are responsible for reviewing the ISOP's plans and performance, as well as performing an End of Scheme evaluation of the ISOP's performance. |
| ISOP Roles Guidance | Sets out our expectations for how the ISOP should comply with its obligations, and for RIIO-2, meet and exceed our incentives expectations under three roles: control centre operations; market development and procurement; and system insight, planning and network development. |
| Long-term vision | The long-term vision covers the period from the start of RIIO-2 to 2030. |
| Medium-term strategy | The medium-term strategy is the five-year strategy covering the RIIO-2 period. |
| National Demand Forecast | Has the meaning given in the Balancing and Settlement Code ³⁶ . |

³⁵ <https://www.elexon.co.uk/glossary/initial-national-demand-out-turn/#:~:text=The%20half%2Dhour%20average%20MW,of%20the%20effective%20Settlement%20Period.>

³⁶ <https://www.elexon.co.uk/glossary/national-demand-forecast/>

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| Optional Downward Flexibility Management (ODFM) | An ISOP balancing service, as approved into the terms and conditions related to balancing by Ofgem ³⁷ . |
| Performance benchmarks | Describes ex-ante what level of outturn performance is below, meets and exceeds expectations for each performance metric. |
| Performance measure | A measure of the ISOP’s performance, including performance metrics, stakeholder satisfaction and other regularly reported evidence. |
| Performance metric | A numerical measure of ISOP performance which can be produced regularly, has a pre-defined methodology and has clear performance benchmarks. |
| Plan grading | Ofgem’s grading of the delivery schedule for each role, designed to set a clear reference point and align expectations in the incentives process. |
| Procurement Guidelines Statement | A document produced by the ISOP under its Electricity System Operator Licence Condition C9. |
| Regularly reported evidence | Evidence that should be regularly reported by the ISOP to inform the evidence of benefits criterion in the evaluation criteria. |
| RIIO-2 period | RIIO-2 covers the period starting 1 April 2021 and ending on 31 March 2026. |
| Role | One of the three roles in the roles framework. |
| Short-Term Operating Reserve (STOR) | An ISOP balancing service, as approved into the terms and conditions related to balancing by Ofgem ³⁸ . |
| Transmission Network Use of System (TNUoS) Charges | Has the meaning given in the ISOP’s Electricity System Operator licence. |
| Triad | Has the meaning given in the Balancing Settlement Code ³⁹ . |

³⁷ <https://www.ofgem.gov.uk/publications/decision-odfm-relation-tc-related-balancing>

³⁸ <https://www.ofgem.gov.uk/publications/decision-short-term-operating-reserve-relation-update-terms-and-conditions-related-balancing>

³⁹ <https://www.elexon.co.uk/glossary/triad/>