

## **Continuing the Conversation**

**Fintan Slye**

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### *Introduction*

Good morning everyone. I'm Fintan Slye, director of the UK System Operator. Thank you very much for joining us today as we continue the conversation on developing the Electricity System Operator's Forward Plan. This is your chance to shape what we deliver for you during 2018-19, and it is fantastic to see so many people here. I really appreciate the time you are taking to attend today's event, and I trust you will find it useful and engaging.

I hope you have all had the chance to look through our draft Forward Plan. We will use your feedback from today, and in your written responses which I would encourage you to provide, to build the final version which we will publish at the end of March.

## *Why we are here today*

I joined National Grid as the SO director in January. Previously I was chief executive of Eirgrid, in Ireland. Many of the challenges I faced in Ireland are also challenges here in the UK, including the imperative to tackle climate change alongside the changing characteristics of generation – increasingly variable, non-synchronous and distributed; and demand – with increased active participation down to commercial and domestic customers.

All day, every day, we strive to operate a safe, economic and sustainable electricity network – the lifeblood of our economy and society – and doing so is becoming increasingly challenging. Over the last decade we've seen installed solar capacity go from zero to 12GW, with much of it installed at a distribution level. This could double again over the next decade. Installed wind capacity today is 18GW; like solar it could double again during the next 10 years. In 2011, distributed generation accounted for 15% of total installed capacity. Today it's 27% and could rise to 44% in 10 years' time.

There is much value to be gained through smarter system operation. Decarbonisation and decentralisation will provide new opportunities for

businesses and investment. The National Infrastructure Commission found that smart power could save consumers £8 billion per year by 2030 and help the UK meet its 2050 climate change obligations if, collectively, we take advantage of new technology and change the way we operate.

### *Where we want to get to*

Our Forward Plan sets out our longer term ambition for operating the energy system of the future and what we will deliver during 2018-19 to achieve that. It's been built on the engagement done so far, whether through your responses to Ofgem's consultations, attendance at our summer workshop, responding to our Viewpoint or your continued feedback through meetings and industry forums. It's also an important step on the ESO's journey to legal separation in April 2019. But it is a draft - we need your help today to continue to shape it.

Our plan is bold and ambitious. It needs to be, so we can ensure Great Britain's 60 million energy consumers continue to have a safe, reliable and affordable energy supply in the midst of the changing energy landscape. But it also covers the basics – improving transparency and

ensuring that you have even greater confidence in the actions that we take.

Our draft Forward Plan outlines the steps we want to take to start our transformation. We'll strive to improve the accuracy of our demand forecasts and increase the visibility of our balancing actions to ensure a safe and operable system. We will ensure all participants have a fair access to the market through fundamentally reforming the charging and code frameworks, and continue the work of Power Responsive and our Future Balancing Systems Roadmap which have been widely supported by you.

You've told us the ESO needs to think more holistically and long term. Through reform of our network development work we will ensure consumers get value for money by finding solutions to transmission issues at both transmission and distribution level. And through expanding our Network Options Assessment we will maximise opportunities to bring competition into future network investments and look more broadly into the alternatives to network investment.

That's a taste of some of *what* we will deliver. But you've also hold us we need to change *how* we deliver for you, as it's through delivering for our customers that we bring energy to life for consumers.

Your feedback has told us that we need to be more transparent, for example in the information we provide and the way we procure services. That's why our draft Forward Plan proposes using market based methods more. Your feedback tells us we are generally trusted, have significant expertise and that we do add value, but we need to make sure what we publish is simple and clear, and that we drive efficiency and performance improvements in all our processes, whether it's economic system balancing or faster customer connection offers. Our plan, and its associated performance metrics, will allow you to hold us to account for doing this.

The feedback you've provided in meetings and surveys had told us we are improving in some areas. But there is still more work to do. We are striving to become a customer centric system operator, and we need you to keep telling us what we are getting right and where we need to improve.

## *How we will get there*

This is an important time for the electricity system operator. It's the first time we are publically committing to a suite of deliverables, outputs, milestones and performance metrics, and being held to account, by you, for delivering against them. This is a new way of thinking and engaging for the SO.

This year we are also setting up the legally separate ESO ready for April 2019. We believe legal separation is the right thing to do and we are working hard to make sure the transition is seamless for our customers. Later this year you will start to see a difference in how the ESO shows up. Legal separation is a big piece of work, but we also know the transformation in what we deliver cannot wait, which is why we are committed to delivering against such an ambitious Forward Plan alongside setting up the legally separate ESO. I am under no illusions that doing both will be challenging, but we are determined to make it work.

We are also looking ahead to RIIO 2, where the ESO will, for the first time, have its own bespoke price control. Over the coming months we want to engage with you on the ESO's priorities for 2021 and beyond.

On your table you will find a card – please let us know what engagement works for you.

*Please help us*

I would like to thank all of you who have engaged with us to help formulate the Forward Plan which we are here today to discuss.

The SO acts on your behalf, so please use the sessions today to tell us about our Plan, its ambition and deliverables. All of your feedback will be considered before we publish the final version at the end of March, and we'll feedback to you and make it clear how we've taken on board your comments.

*Exciting times await*

It's an exciting time to be in the energy industry, at the forefront of solving one of the biggest global challenges - how to deliver reliable, secure, affordable and sustainable energy, to facilitate markets, to foster consumers, and to protect consumers – all in order to drive a competitive economy and meet the needs of society today, tomorrow and into the future.

Please tell us what you think and please be honest – tell us what's great and what needs to be improved.

I look forward to working with you all over the next few years. Thank you.