



# ESO separation drives transformational change in the UK energy sector

With the help of Capgemini Invent, ESO becomes a legally separate entity within the National Grid Group

## A new role for the ESO in a changing energy industry

The National Grid Electricity System Operator (ESO) sits at the heart of the UK's energy system, making sure that electricity is transported safely and efficiently from where it is produced to where it is consumed. The ESO ensures that electricity supply and demand is balanced in real time and facilitates the connection of assets to the transmission system. In addition, the organisation works closely with customers and stakeholders to shape the future energy market, providing analysis and insight into the changing nature of supply, demand, and networks.

A more distributed and low carbon energy system underpinned by new technologies and business models has meant that the challenges and opportunities for consumers and the operation of the electricity system are evolving. The role of the ESO will therefore need to change in order to deliver a safe, reliable and flexible system into the future. Consequently, in January 2017, National Grid agreed to create a separate ESO business within the National Grid Group. The objective of this separation was to give the ESO greater independence, make it more flexible to changing market needs, remove conflicts of interest, and facilitate competition. Overall, this would drive significant industry and consumer benefit, giving stakeholders a high-performing, independent ESO that they could trust to deliver a secure, sustainable, and affordable energy future.

## Overview

**Customer:** National Grid Electricity System Operator

**Region:** UK

**Sector:** Energy and Utilities

**Client Challenge:** BEIS, Ofgem & National Grid agreed to separate the ESO to adapt to changing customer and industry expectations, remove conflicts of interest and provide greater ESO independence and market transparency

**Solution-at-a-glance:** Following an innovative separation programme, the ESO became an independent organisation, overcoming political uncertainty, managing regulatory changes, and adapting to changing market needs

## Results:

- Delivery of a legally separate ESO within the National Grid Group
- Greater independence and transparency within the electricity market
- Quicker adaption to changing market needs and new technologies
- Facilitation of new a strategy, direction, and role for the newly separated ESO



*“Working closely with National Grid, we defined a two-year transformation programme to create a legally separate ESO. We worked in*

*partnership with National Grid teams across the business to design and deliver separation – bringing industry, restructuring and business expertise. We’re very proud of what we achieved and the benefits that this will bring to National Grid and the wider industry.”*

**James Lally**

Vice President, Capgemini Invent



*We overcame a number of challenges – both internal and external – to remain committed to and deliver the policy intent and promise*

*of a more transparent, independent ESO. The team has had to be incredibly focused, hardworking and resilient, and the delivery capability and expertise of Capgemini has been integral to our success.*

**Charlotte Ramsay**

Programme Director-  
Future System Operator

## Delivering a best-in-class transformational programme

National Grid embarked on a two-year programme to deliver a separate ESO, working closely with the Department for Business, Energy & Industrial Strategy (BEIS) and Ofgem to define, design, and implement this transformational journey. National Grid engaged Capgemini Invent to be its delivery partner of choice and together they executed a successful separation of the ESO on April 1, 2019.

National Grid and Ofgem began the consultation process in January 2017 to shape and design what the ESO separation would look like. The programme was large and complex, and, over the course of two years, looked to separate the ESO financially and operationally and create a new, distinct culture for a more independent organisation. As well as global business separation expertise, Capgemini brought best-in-class design and delivery approaches to shape and deliver the programme. These included an agile programme delivery model, which facilitated the switch from a centralised structure to a devolved model in order to achieve greater delivery flexibility and transfer responsibility over time to the ESO. The programme also operated a staggered go-live, which reduced the overall risk of the separation and enabled the programme to slowly embed culture change over a period of months prior to formal go-live. Culture change was also a core part of the programme – embedded within each of the workstreams and delivered using a set of robust change management techniques.

## Navigating change, challenges, and complications

A large, transformational programme such as this was not without its trials. Along the way, both internal and external challenges threatened the success of the project and had to be carefully navigated. Managing the separation during a period of political uncertainty caused by events such as Britain’s exit from the EU meant that building and maintaining political commitment to the ESO programme required strong working alignment with the regulator and government. It required a great deal of effort from all parties to remain committed to the vision set up by the original agreement and policy decision.

The ESO also had to adjust to regulatory changes that altered incentives in 2018. This drove the business to engage with stakeholders early and begin to demonstrate separation from April 1, 2018. By demonstrating a greater degree of independence, the ESO allowed both National Grid and the market greater transparency into how it would operate. Finally, changing market needs caused a transition in focus from electricity and increasing competition to a broader ‘dual fuel’ approach to electricity and gas as fundamental providers of heat, transportation, and energy infrastructure.



## Driving new initiatives and outcomes

Separation of the ESO has allowed it to be more independent in the sector and a leading voice within the energy market. Following formal separation, the ESO released an ambitious set of new strategic targets that continued through 2025. The most progressive of which has been a commitment for the ESO to be able to operate Great Britain's electricity network with zero carbon by 2025. Others include defining the strategy and plan for delivering clean heat, facilitating competition in the onshore electricity transmission market, and, importantly, remaining a trusted partner for the government, industry, and consumers.

In April 2018, a new set of incentive mechanisms was released for the ESO as a direct result of separation. By April 1, 2019, these new incentives, which include more comprehensive performance evaluation criteria, were embedded within the newly separated organisation and had an immediate impact on how the ESO engaged with its stakeholders. There is an increased focus on maximising consumer benefit, as well as enabling the transition to a decarbonised energy landscape—an ambition towards which the ESO has already made great progress.

Furthermore, the separation delivered a great outcome for ESO employees, who were excited about the separation and embraced a change in culture over the course of the programme. Employees from both National Grid and the ESO have demonstrated an awareness and understanding of the change, providing further evidence of the overall success of the separation.

Feedback from customers, industry, and the government on the separation has been positive, while Ofgem has acknowledged the ESO's new independence. In addition, ESO separation has demonstrated the ability of National Grid to successfully deliver large-scale, transformational programmes. This capability will be crucial for the organisation going forwards and particularly for the ESO as it continues to innovate and provide safer, more reliable, and greener electricity.



*“Our performance in the first year of the Incentive Scheme reflects the evolving role of the Electricity System Operator (ESO) and our shift in mindset and ways of working. We have made considerable progress against our 2018-19 Forward Plan – delivering not only strong baseline performance, but in many areas going beyond this to deliver improved processes, greater transparency, and new products and services to create real consumer value”*

**Fintan Slye**

Director, National Grid System Operator



## About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of over 200,000 team members in more than 40 countries. The Group reported 2018 global revenues of EUR 13.2 billion.

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