

Open Networks Project
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Sent by email to: opennetworks@energynetworks.org

Dear Sir/Madam

Open Networks Project Flexibility Consultation 2021

Energy UK welcomes the opportunity to feed into the approach taken in this important element of the Open Networks project (ONP). As always, we invite ENA and wider stakeholders to get in touch with any questions based on the response below.

We would note the following core points:

- There is limited time to deliver real world changes in operations required to encourage investment and enable full connection of low carbon resources at distribution level in line with the UK's net zero ambition and interim targets. Open Networks activity in this space should be reviewed to understand if this outcome is being achieved.
- In order to fully understand the barriers to increased amounts of participation of LCTs in flexibility markets, the ENA should progress its work on LCTs in a more transparent forum, potentially within the ONP.
- There is a need across all Flexibility Services products to better examine and incorporate the potential impacts on other stakeholders beyond DNOs, something that Energy UK members are not confident is being delivered.

The energy sector is undergoing significant amounts of change across the board, and as such it is difficult for stakeholders to prioritise engagement with the ONP. Developing a clear timeline for product development, setting out clear real-world potential impacts for stakeholders, and empowering the range of ONP stakeholder groups is important to revitalising engagement across the project.

If Energy UK can support the ENA in its stakeholder engagement in order to ensure effective delivery of this important work, we would be happy to discuss that.

Sincerely,

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Energy UK response

Q1: Do you agree with our proposals within this consultation paper and if not, please provide us with any rationale and alternative proposals? (This feedback can be generic to our proposals or provided on a product-by-product basis.)

Energy UK is generally supportive of the topics being covered by WS1A and believe that the work being done in this area has the potential to increase opportunities for investment in and utilisation of flexibility. We do, however, feel that the Open Networks project could go further in many areas, as set out below. In particular, the speed of change does not meet the urgency of the challenges facing the UK as we move towards net zero.

Q2 – Are you aware of the Flex figures being published each year on [ENA Website](#). How does your understanding of GB's growing Flexibility market size help you and how are you using this information?

Yes.

The use of the ENA website to collate and share information in a single location and format is welcome, and highlights the benefits for market participants of using a single platform.

The publication of this information by individual DNOs could be timelier and better coordinated, and we support the proposed improvements to the ENA Flexibility website page described on page 15 of the WS1A P2 report on DNO-ESO Flexibility Procurement Process Timescales.

It would further be beneficial for the ONP to coordinate open sharing and comparison of information about prices delivered and the amount of actual dispatch of flexible assets across these markets.

Q3 – Open Networks members are committed to implementing outputs and driving the benefits identified. Which product or area would faster implementation of the outputs be most desirable?

Implementation across all areas of this workstream would be beneficial, though we recognise the complexity involved in ensuring full and effective stakeholder engagement.

Defining primacy rules across markets is an important factor in effective delivery of coordinated system operation that ensures system stability at lowest cost to consumers. This issue must be resolved before any issues arise as the potential consequences of conflicts increase. Market volatility, increasing system balancing costs, and continued progress to decarbonisation indicate that these rules need to be trialled and proven quickly.

Improving individual DNO valuations of flexibility under the Common Evaluation Model (CEM) is a specific objective that should be implemented at pace to ensure consistency. We would also like to see clarity over areas which are deemed out of scope for the CEM, where whole systems considerations require further development.

As has been seen in other workstreams, implementing least-regrets actions from the three ANM products would be beneficial, and should be done alongside early preparation for implementation of Ofgem's Access SCR decision.

More generally, the Open Networks project should look to ensure that processes for connecting flexible Low Carbon Technologies – including residential installation of EV charging equipment and heat pumps – are efficiently coordinated in preparation for mass uptake. The disparate threads across the sector from codes, business plans, and engineering recommendations need to be aligned to deliver positive consumer outcomes at this critical point in uptake. As these markets develop, consumer confidence must be maintained to avoid undermining momentum towards the UKs decarbonisation targets.

2021 Product 1: Enhancements to the Common Evaluation Methodology (CEM) and CEM Tool used to evaluate flexibility and traditional intervention options.

Q4 – What factors do you believe has led to the lack of response to the call to join the User Forum for the CEM this year? Were you aware of the proposal?

Energy UK was aware of the proposal and encouraged its members to participate in the forum, as we broadly welcomed the intended approach to stakeholder engagement on the CEM.

The published commitment and ‘qualifications’ required from members of the forum was deemed by some members to be excessive. Addressing this issue by creating a less stringent approach would increase participation. The approach taken in the ANM Stakeholder Focus Group and the ESO’s Single Market Platform ‘Show & Listen’ sessions are seen as examples of good practice.

The ENA’s decision to restrict the CEM to purely measure the impact on DNOs and not consider any wider system or participant impact, redirecting stakeholders towards the Whole Systems CBA, may also have been a factor. The CEM engagement process should include attributing a cost or benefit to impacts on third parties if it is to be a true representation of potential impacts. If this wider consideration is done instead through the Whole Systems CBA, then this should include full transparency on the whole systems CBA development and interaction with the CEM.

Q5 – We are keen to understand whether our model of open governance for the User Forum was a factor in the lack of response, do you believe that a User Forum approach would be useful to consider for progressing key products next year or are there alternative approaches that we should consider?

We agree that it is likely that the way the User Forum was described made potential participants less likely to get involved, given existing constraints on time across the sector. Organisations cannot currently be certain of committing to the time required, and as such open focus groups supplemented by formal consultation may be more efficient.

2021 Product 2: Alignment of Flexibility Services procurement processes and timescales between DNO and ESO

Q6 –Do you agree with the P2 team’s findings regarding the alignment of DNO and ESO timescales? Please provide your rationale and any supporting evidence that we can use to inform our approach, particularly in short – medium timescales (now – start of ED2)?

Yes, Energy UK broadly agrees with the findings of the team, but would note that wherever no regrets changes can be implemented they should be in order to ensure ever closer alignment in the meantime. It may also be beneficial to include a review of the approaches taken by different DNOs, using customer feedback to understand where improvements could be made and where alignment with ESO markets has been seen. Best practice can then be adopted by all DNOs where appropriate.

There is also a need to ensure that this work includes the creation of closer to real time markets at DNO level. Well-functioning shorter-term markets will be an important factor in delivery of smart flexible networks that encourage and enable active consumer participation.

Q7 –How could we further evolve alignment of procurement processes in future?

New products across ESO and DNO should be developed in a fully transparent manner. At present, products from the Open Networks project and the ESO’s product reforms do not appear to be coordinated, with little to no clarity on how these will interact and whether or not the potential impacts of new products will be on ESO or DSO functions. Technical requirements, methodologies, and reasoning

should be set out to stakeholders and should be broadly aligned. Where products are specifically targeting DER, the approach should include specific guidance for flexibility providers on revenue stacking across similarly targeted products.

Q8 – Do you agree that the proposed improvements to visibility of requirements will be of direct benefit to your sector of the industry, if so, please share your rationale and how you would utilise this information? Do you have thoughts on how we can improve visibility further?

Yes. Coordination of the various ENA members' activities in flexibility services will simplify the approach for industry by reducing the time requirement for those wishing to engage with market and development process. Where relevant, the page should also include some information about relevant ESO services and timelines to further simplify engagement.

2021 Product 3: Principles to review Flexible Connection (Active Network Management) contracts

Q9– Do you agree that there is an exit route, using the current G99 approach, for existing FC (ANM) customers who want access to firm(er) connections? If not, what do you see as the barriers?

While an exit route does technically exist for existing ANM customers, it is not adequate given the importance of ensuring routes to firm connection for low carbon energy assets as we transition to net zero. The approach should be reviewed to give existing customers a route to an arrangement aligned with the proposals from Ofgem's Access SCR. The G99 process is also not applied consistently across DNOs, with differing requirements and processes across DNO boundaries. This should be resolved, with standard arrangements and methodologies put in place across the board.

Open-ended contractual arrangements should not be the standard for ANM, and DNOs should instead ensure that the majority of ANM connection offers are time-restricted, based on reinforcement schedules or the availability of market sources of flexibility. Where customers specifically request a connection without a specific timeframe for more firm connection, this should continue to be allowed to enable customers the option of continuing on a non-firm connection. This could further be developed so that where a DNO fails to deliver reinforcement or develop market arrangements in time to enable that customer to move to a stable connection, the customer is rewarded for any continued flexibility. This could be in the form of retaining the same cost of connection while also being given compensation for providing flexibility, commensurate with the market rate for those services.

We would once again note that the use of the term 'flexible connections' is not appropriate, as the offering is not flexible for a customer, only for the DNO, and as such can lead to confusion. The terminology should be replaced with a more accurate term for all parties across DNO communications; for example, these could be called 'curtailed connections'.

Q10 – Do you agree with the findings of the Product 3 report and if so, which area(s) are of most interest going forward?

We support Open Networks focussing on those outcomes made most relevant by Ofgem's Access SCR. Given the minded-to position set out by Ofgem, it is important that the ONP be fully coordinated and aligned with the intended approach from Ofgem.

2021 Product 5: Defining 'Primacy Rules' for the ESO and the DNOs to manage service conflicts.

Q11 – Are there any particular projects/reports we should be considering as part of our initial review of work carried out on Primacy to date? This could include international examples.

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2021 Product 6: Support non-DSO services (such as peer-to-peer) and align/utilise their proliferation for grid resilience

Q12 – Is the trading and / or sharing of capacity or curtailment risk of interest? What do you see as the major barriers currently?

Energy UK would be keen to see what barriers the DNOs see currently, as it is the capability at network level that we expect to be the most challenging to overcome. If two customers were to approach their DNO with a request a transfer of network capacity agreed between those two parties, what would stop the DNO from being able to enact this?

In terms of customer barriers – information provision and confidence will be key barriers to utilisation. As we decarbonise heat and transport, customers may be concerned about surrendering additional capacity that could be needed for electrification of assets in future. Engagement will therefore be an important part of the process, as will ease of access to detailed information about how customers can estimate future needs to enable trading of capacity.

2021 Product 7: Implementation of common Baseline Methodologies for measuring delivery of Flexibility Services

Q13 – Does the roadmap outlined for the delivery and development of aligned distribution constraint baseline methodologies (as detailed in the Product 7 interim report) meet the needs of the market?

Yes, we support the proposed approach.

2021 Product 8: Apportioning Curtailment Risk for Flexible Connections (ANM)

Q14 – We are exploring the use of curtailment caps and collars to apportion curtailment risk better; do you agree with our high-level impact assessment on the various parties?

Yes, we agree with the high-level impact assessment. There may be a further need for the ESO and ONP to examine the potential wider impacts of ANM on market participation.

Q15 – Do you support the use of caps and collars as described in the report?

As set out above, we feel that ANM should be a time-limited approach. If ANM were to be subject to a time limit, we may be able to support the approach as a targeted measure in areas where the DNO is planning to reinforce the network or deliver a more comprehensive market for flexibility.

Q16 – Do you have any views on the alternatives presented? E.g. Peer-to-peer flexibility trading; an incentive scheme similar to that currently used for Customer interruption/ Customer minutes lost (CI / CML)?

It is important that these options are explored in parallel. Where market-based alternatives like peer-to-peer trading are available they should be pursued to support market development. Energy UK supports the idea of incentives similar to the approach used for CI / CML, but the approach would need to be better defined in order to ensure the risk attributed to customers and the DNO is appropriate.

2021 Product 9: Strategy for improving the availability of Curtailment Information for Flexible Connections (ANM)

Q17 – We have used a Flexible Connection (ANM) Stakeholder Focus Group to help us identify the specific curtailment information needs and priorities for current and potential users of Flexible Connections; do you agree with this approach?

Yes, we agree that this approach would be sensible, providing wider consultation is also completed after this more focussed engagement process.

Q18 – Do the curtailment information requirements we have identified as a priority, with input from the Stakeholder Focus Group, meet your needs? If not, what additional requirements are there?

Energy UK broadly supports the proposed approach and agrees that the ONP should focus on the low regrets options and 'quick wins' that are in line with the proposals from Ofgem's Access SCR.

Q19 – In addition to improving curtailment data provision, Product 9 has also considered the role of third-party curtailment information providers where more sensitivities can be provided specific to customer assets. Would you consider using a third party for more curtailment tailored information and if so, should we explore this option further or leave it to the market?

The role of the DNOs and ONP should be to provide the same data in a common format to enable customers and third parties to extract the value of that information. ONP should abide by the open data principles established by the Energy Data Taskforce, allowing the market to decide how it uses that information.

Residential Flexibility

Q20 – Do you have any ideas on how we might better engage and encourage participation of residential flexibility in flexibility service provision and identify any barriers that might currently exist along with potential solutions?

Barriers to residential engagement in flexibility go beyond the capabilities of the ENA to resolve fully, as there are issues will require address through Ofgem's Access SCR, BEIS' reform of the retail market, and a wide range of other change processes across the sector. Barriers that the ENA can resolve include information provision and the development of markets for flexibility across many more network areas.

The ONP must also ensure that it does not create additional barriers to participation in the development of additional measures, by fully considering the potential impacts for customers of changes to connections processes and development of flexibility services. The participation requirements for distribution-level markets for flexibility should be tested with small scale, aggregated assets to ensure equal access for assets of every scale.

Although the ENA has produced a standard form for Low Carbon Technology (LCT) connections, DNOs continue to apply differing approaches. The fact that this standard and the wider work of the ENA on LCTs has been fully separate from the ONP means the approach may focus on the needs of DNOs, without full and effective challenge from a wider range of stakeholders. Opening up the ENA's LCT Working Group, its surrounding workstreams, and wider technical change processes (for example the modification of relevant engineering recommendations) to a much wider level of transparency and scrutiny would be a welcome step toward resolving the risk of additional barriers being created.

Energy UK is examining the full range of barriers to participation in flexibility markets by domestic and small non-domestic customers, alongside wider trade associations in this space, in order to set out recommendations for BEIS and Ofgem, and would welcome ENA and ONP coordination with that work.