

25 September 2018

Energy Networks Association
4 More London Riverside,
London
SE1 2AU

Sent by email only to: opennetworks@energynetworks.org

Dear Sirs

Developing change options to facilitate energy decarbonisation, digitisation and decentralisation

Thank you for giving us the opportunity to comment on this project.

BUUK have committed a number of our team to this project and we are looking to increase our commitment to developing a solution that works for all parties involved in the transition from DNO to DSO.

Please find attached in the appendix our response to the questions posed.

We have raised two major concerns that we believe need more consideration.

We do not believe that the interfaces between DNOs and IDNOs/private networks have been explored in enough detail for our customers to have confidence that they will be treated the same as a DNO customer. This is something we have raised in the workstreams but have not seen any detail that suggests our concerns have been dealt with.

The other issue that seems to have been missed in this project is the role of Independent Connection Providers (ICPs) and how the market has started to morph into a self-serve model. This is where the ICP can determine points of connection and design solutions and all of the other parts of the CiC world that has developed in the last few years.

This is a fundamental element in the opening up of Competition in Connections (CiC) and does not appear to have been considered within the project. It would be disappointing if DSOs attempt to take some of the roles away from the ICPs and close down competition by making them non-contestable.

We would welcome the opportunity to come and talk to ENA and the Open Networks Forum to explain our concerns in more detail.

Yours sincerely

Michael Harding
Regulation Director

Appendix 1. BUUK Consultation Response

Source Questions

Section 2: The Future Worlds

2.1 We have set out five potential Future Worlds. Do you believe these provide a reasonable spread of potential futures?

As a managed transition from the current Electricity Networks model to a future position; the Future Worlds are practical. However, at this stage of the transition, Private Network Operators and Independent Network Operators are not considered within the model sufficiently to understand the advantages of the System Operator to their customers.

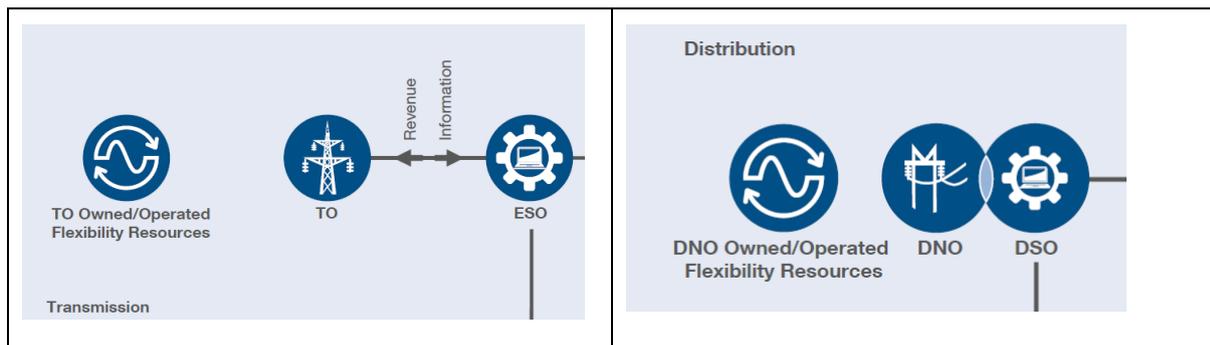
2.2 Are there other areas of potential Future Worlds you would like us to consider to inform our thinking?

Yes; the Future Worlds should fully test the benefits of Private Network owners and Independent Network Operators acting as System Operators.

The role and responsibility of the Network Operator should be defined as many of these are transferred to the System Operator.

2.3 Do you have any key concerns with any of the Future Worlds we have set out?

Yes; the purpose of the Network Operator (DNO/IDNO) as the traditional planner and provider of suitable assets has been transferred to the System Operator. Will the Network Operator be redundant or subservient to the System Operator? There appears to be an implication in the modelling for of the worlds the DNO/DSO role is combined into a single entity, yet at transmission level the role of TO & ESO are split, see extract below.



We would like to understand if the modelling will analyse the worlds with the DNO and DSO roles split as they appear to be for transmission.

It is further noted that a number of the Actors given in Figure 1.2 of the Executive Summary are not included in the Future Worlds models (A to E) such as Gas and IDNO.

Section 3:
The Smart Grid Architecture Model

3.1 Is there anything missing from the SGAM methodology that have been implemented?

Nothing noted to date.

3.2 How can SGAM modelling be used in further work to extract maximum value?

A model of the World today may be helpful to understand where activities and actions will be missing if we move to one of the Future Worlds.

3.3 What are the limitations of using the SGAM modelling for informing the Impact Assessment?

Without a baseline model the relative impact of the Future Worlds may not be readily assessed.

Section 4:
The principle of neutral market facilitation

4.1 How do you believe neutral market facilitation for SOs can be achieved?

A suite of common or consistent connection and use of system agreements, subject to industry governance that allow agreements be easily evolve as the market changes, will help customers who operate across boundaries to better understand the services they can provide/avail of.

Regulatory incentives and penalties created to govern those core monopoly, SO activities will need to be carefully considered to ensure that SOs are incentivised to deliver best whole system outcomes for customers.

4.2 What are the possible conflicts of interest that SOs need to be aware of when facilitating the market?

The System Operator is responsible for balancing the supply and demand on the Distribution Network together with Network Investment. This investment could be driven by factors which favours the DSO requirements for system operation e.g. favours base load embedded generation/energy resource to offset reinforcements.

4.3 What additional requirements would be appropriate to ensure the neutrality of SOs in facilitating the market?

Network reinforcement and development could remain part of the DNO/IDNO asset management function. Where the SO functions within the network constraints, maintenance/repair/connections etc.

**Section 5:
Stakeholder insights**

5.1 Which SGAM actor(s) best describes your future role(s)?

- a) *Independent Distribution Network Operator*
- b) *Independent Distribution System Operator*
- c) *Local Energy Systems*
- d) *Customer*
- e) *Gas*

5.2 Do you have any thoughts on the insights gained on this role(s) in each of the Worlds?

If an IDSO is assumed to operate as a DSO they may not have suitable contractual access and connection to:

- a) *SO*
- b) *Aggregator*
- c) *DER*

In order to balance the demand and supply within their Network.

5.3 Do you have any comments on the insights drawn on any of the other roles described?

None to date

5.4 If you do not feel represented by any of the actors, how do you believe we should capture your role?

No comment at this time.

Section 6: Assessing the Worlds

6.1 Do you agree with the proposed approach and timescales for delivering the assessment? Are there any improvements you would suggest?

Yes.

No specific improvements only reference to and addressing the short comings as identified in the responses to this Consultation.

6.2 Do you agree with the proposed assessment criteria and allocation into cases? What further development would you suggest to the criteria (e.g. any additional criteria) or structure and content of the Impact Assessment?

The Impact Assessment may need to include IDSO/Private Networks

6.3 Is there any data you could provide or suggest we collect to support the assessment?

There are some latent costs with the business change management and further Regulation or Performance Reporting. Data management infrastructure and storage.

The CNA has provided costs for an IDNO to IDSO transition. This can be used in the Impact Assessment.

6.4 Do you believe that there are any tensions between different criteria and if so how should priority be built into the assessment?

Centralised transmission connected generation has provided system security and stability through contracts which in turn have provided the business case for that generation. Where the electrical system availability and stability is shared across the distribution and transmission boundary these contracts may not provide the same business case e.g. guaranteed £/MWh.

Flexibility contracts with DER may conflict with these long term contracts.

It may be a requirement to prioritise the transmission sources and flexibility over distribution.

6.5 Are there any functions/roles that need to be considered as a priority area for assessment?

Balancing of supply and demand across many busbars will consume time in planning and execution. The timing of decisions and actions will need to be in time to keep the Network stable and available.

6.6 We are considering forming a sub-group to assist with the collation of data for the Impact Assessment; do you think this would be worthwhile and if so would you volunteer to be part of the sub-group?

Yes.

Section 7: Key enablers for the future

This is the list of key enablers that we have identified:

- Regulatory changes
- Organisational changes
- Communications infrastructure
- IT systems
- Network visibility and control
- Market engagement
- Contract requirements
- Funding.

7.1 Are there more key enablers that we should be considering?

Common Technical Standards for new connections, system operation and security for active networks.

7.2 Do you agree with our short-term investment priorities relating to the key enablers of:

- communications,
- IT, and
- network visibility & control?

The Innovation incentives are focused within the Regulated business. It is difficult to prepare a business case for the independent sector where the benefits cannot be clearly defined.

7.3 Given our short-term priorities, what actions do you consider need to be taken now to address them?

Incentives are needed to modify or change behaviours.

e.g. Derogations against D Code Annex 1 Standards for system security may help flexibility services.

7.4 Considering the different DSO model Worlds that Workstream 3 has considered, do you think the key enablers differ materially between the Future Worlds?

Yes.

Key areas could be the introduction of the Aggregator and Flexibility Coordinator and suitable commercial and Regulatory conditions.

Section 8:
Proposed next steps

8.1 Do you agree with the proposed next steps?

Yes.

8.2 The Open Networks Project is prioritising areas of least regrets to deliver the benefits of a smart grid as soon as possible. Is there a specific activity within the functions that we have prioritised that you would like us to focus on for short-term delivery?

Mechanism for balancing the supply and demand at a busbar.

8.3 Is there any additional work that we need to undertake?

None noted at this time.

9 General Comments

- 9.1 *The report "Modelling the DSO transition using Smart Grid Architecture Model" indicates in Table 3 of Section 2 Market model options, that the DSO function will include setting charges for use of the local network. At the same time the Definition of DSO includes "competitive access".*

It would be a great loss for customers if the benefit of competition in electricity connections and infrastructure provision is removed by the transition to System Operator world. We note that in a number of places in the consultation document it indicates that the determination of points of connection to the distribution system is exclusively a DSO/DNO function. We don't believe such assumptions should be made, and such a move would be a backward step in the development of competition in connections as this function is currently becoming contestable in many DNO areas.