

The Voice of the Networks



# Energy Networks Association

Open Networks Project

Flexibility Consultation

02 July 2019

Energy Networks Association

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## Introduction and background to the Open Networks Project

Launched in January 2017, ENA's Open Networks Project is laying the foundations for a smart energy grid in Great Britain and informing future developments in Ireland and Northern Ireland. It is a key initiative to deliver Government policy set out in Ofgem and BEIS' Smart Systems and Flexibility Plan, the Government's Industrial Strategy and the Clean Growth Plan.

The Open Networks Project has introduced real momentum into the development work required to enable GB's energy networks to:

- facilitate our customers' transition to a low-carbon future, including the electrification of heat and transport;
- address the challenges arising from the continued uptake of local generation;
- evolve to be market enablers for a whole range of new smart energy technologies;
- reduce costs to customers by contracting for flexibility services alongside investment in traditional and innovative network solutions, and
- play a key role in delivering overall lowest whole system energy system costs for customers.

In order to facilitate open debate and discussion across the industry, all outputs from the project are being published on ENA's website<sup>1</sup> alongside annual reports that summarise progress and achievements.

## Purpose of this consultation

The purpose of this consultation is to seek views from stakeholders on our flexibility commitments and developments to date and planned future developments in order for us to update and adapt our work accordingly. Therefore, the questions in this consultation are structured to:

- encourage as many stakeholders as possible, from a wide variety of viewpoints, to engage with our development work on flexibility;
- provide feedback on the content of our work to date; and
- help inform and shape the future work to be undertaken by ENA and the Open Networks Project to develop flexibility.

## How to engage and respond

During 2018 stakeholders requested longer to respond to the Open Networks Project's consultations, so this consultation will be open for eight weeks and closes on **23rd August 2019**. Please send your responses to the consultation by email to [opennetworks@energynetworks.org](mailto:opennetworks@energynetworks.org).

While the consultation is open, you are invited to join two public events, the first to be held at ENA's offices in London on **10 July 2019** and the second at SP Energy Networks' corporate headquarters in Glasgow on **16th July 2019**. In addition, there will be two public webinars on the consultation, on **7th August 2019** and on **20th August 2019**. Further details on these events and webinars will be provided on ENA's website and communicated to stakeholders on the project's mailing list. You can sign up for this mailing list or ask questions by [emailing the Open Networks Project](#).

All consultation responses are intended to be published on ENA's website, therefore if your response is confidential and not for publication, please clearly notify us. Or, if elements of your organisation's response are confidential then please provide us with a full version for consideration and a non-confidential version for publication.

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<sup>1</sup> <http://www.energynetworks.org/electricity/futures/open-networks-project>

**Everyone is welcome to respond:** Feedback on the independent impact assessment is welcomed from all stakeholders, including but not limited to: network users; energy market participants; network operators; independent distribution network operators; aggregators; suppliers; DER producers; consumers; community energy schemes; new and existing business models; and technologies businesses.

**How we will use your feedback:** Once this consultation closes and all responses are received, they will be summarised in a separate report. This summary report will be published.

## **Next steps**

The consultation closes on **23 August 2019**. Please send your responses to [opennetworks@energynetworks.org](mailto:opennetworks@energynetworks.org).

It is our intention to review the responses to this consultation and publish our comments on the feedback by the end of September 2019 on ENA's website<sup>2</sup>.

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<sup>2</sup> <http://www.energynetworks.org/electricity/futures/open-networks-project/open-networks-project-stakeholder-engagement/public-consultations.html>

# Contents of this Flexibility Consultation

## ENA Flexibility Commitments & Steps to Delivering Flexibility Services

Britain's six Distribution Network Operators (DNOs) announced their Flexibility Commitment in 2018. Through this they, and now independent DNO GTC, committed to openly test the market to compare relevant reinforcement and market flexibility solutions for all new projects of any significant value.

Building on this, the DNOs, GTC, the Transmission Owners (TOs) and National Grid Electricity System Operator (ESO) are committing in June 2019 to six key steps as flexibility services are rolled out more widely and we transition to a more efficient, smarter and low-carbon energy system fit for Britain's future. This commitment is being made to ensure this transition is successful and delivers flexibility through open, transparent access to markets while maintaining secure and safe electricity supplies and delivering best value for customers. These steps apply to how we will procure and use flexibility services to maximise benefits to households, businesses and communities.

We will:

- **Champion a level playing field**
- **Ensure visibility and accessibility**
- **Conduct procurement in an open and transparent manner**
- **Provide clarity on the dispatch of services**
- **Provide regular, consistent and transparent reporting**
- **Work together towards whole energy system outcomes**

These steps are described in the ENA publication ["Building a more efficient, smarter, cleaner energy system: Our six steps for delivering flexibility services"](#)<sup>3</sup>

The detail underpinning these six steps will be further developed into consistent, tangible processes, procedures and agreed working methodologies by all participating electricity networks through the ENA Open Networks Project. We will be building on these steps across the breadth of the Open Networks development work on flexibility and we have an ENA flexibility webpage that describes this wider activity<sup>4</sup>.

As part of this consultation, we are asking stakeholders:

**Q1 - Do you agree with these six steps and if not, please provide us with any rationale?**

**Q2 - Are there any steps that you believe are missing or any elements of these steps that are not covered by the Open Networks Project developments and products?**

**Q3 - Which elements do you believe should be prioritised and are there any suggestion to amend our workplan as a consequence?**

## Flexibility Workstream 1A Development

Workstream 1A for Flexibility was established as its own Workstream within the Open Networks Project 2019 Workplan<sup>5</sup> to concentrate on the development and support of flexibility markets with the following 3 key objectives:

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<http://www.energynetworks.org/assets/files/ENA%20Flexibility%20Commitment%20Our%20Six%20Steps%20for%20Delivering%20Flexibility%20Services.pdf>

<sup>4</sup> [www.energynetworks.org/electricity/futures/flexibility-in-great-britain.html](http://www.energynetworks.org/electricity/futures/flexibility-in-great-britain.html)

<sup>5</sup> [http://www.energynetworks.org/assets/files/ON-PRJ-Phase%203%20PID-v2%20\(Post%20consultation\)-Published--.pdf](http://www.energynetworks.org/assets/files/ON-PRJ-Phase%203%20PID-v2%20(Post%20consultation)-Published--.pdf)

1. Develop and deliver good practice and convergence of directly contracted DSO services to customers across DNOs to deliver a consistent experience for customers
2. Facilitate markets outside the direct procurement of service by DSOs to allow third parties to develop effective and liquid market platforms for customers to realise value for flexibility
3. Support the wider use of DSO services by removing barriers and encouraging the consideration of flexibility solutions

The Open Networks Project considered how we could set key guiding principles and work towards standardisation across the end to end process for flexibility:



Six products were defined to further develop support to flexibility markets:

1. Flexibility Market Principles
2. DSO Services – Procurement Processes
3. DSO Services – Dispatch and Settlement Processes
4. DSO Services – Commercial Arrangements
5. DSO Services – Conflict Management & Co-optimisation
6. Facilitation of new markets

Products 3 and 6 above are not due to start until the second half of 2019 and Product 5 is in the early stage of development therefore was not planned to be shared for consultation at this stage

We have completed development work Products 1, 2 & 4 and these are presented in this consultation with questions to encourage stakeholder feedback.

This consultation asks for views on the proposed work for the rest of the year to ensure that we are reflecting stakeholder views in our development plans.

## Flexibility Market Principles – Product 1

The Open Networks Project has defined a set of market principles for flexibility within its product Flexibility Market Principles published on the ENA website here<sup>6</sup>.

We have developed a principles-based approach to Flexibility Markets with input and feedback from stakeholders through discussions at the Open Networks Advisory Group. We have developed six principles for flexibility:

1. Neutral Market Facilitation
2. Market Boundaries
3. Transparency/Visibility/Privacy
4. Rights & Obligations
5. Interoperability of Solutions
6. Coordination & Information Exchange

<sup>6</sup> [http://www.energynetworks.org/assets/files/electricity/futures/Open\\_Networks/ON-WS1A-P1-Flexibility%20Market%20Principles%20\(Final\).pdf](http://www.energynetworks.org/assets/files/electricity/futures/Open_Networks/ON-WS1A-P1-Flexibility%20Market%20Principles%20(Final).pdf)

All of these principles, and our work on flexibility more generally, are underpinned by a seventh theme of simplicity.

***Q4 - Do you agree with these six principles underpinned by simplicity and if not, please provide us with any rationale?***

***Q5 - Are there any other principles that you believe we need to encourage more participation in flexibility?***

***Q6 – Is there anything in these principles that you think would compromise your ability to participate or should these principles be applied differently from the way set out in our paper?***

***Q7 – We will apply these principles to all of our future development work – do you believe that there are any elements that are not covered by Open Networks Project developments or elements that should be prioritised?***

## **DER Services Procurement Review – Product 2**

This report sets out a high-level end-to-end process for the development and procurement of flexibility services to manage distribution network capacity, and other Distribution System Operator (DSO) issues. It captures existing processes undertaken by Distribution Network Operators (DNOs), identifying any areas which vary across licence boundaries. It then goes on to highlight 'good practice' for the development and procurement of flexibility services, forming the basis for a consistent approach by DNOs as they develop their capability to harness flexibility services to manage their networks, as well as learning points from experience; and potential gaps in the process that need to be filled. The report is published on the ENA website here<sup>7</sup>.

***Q8 - Do you agree with the learning and 'good practice' highlighted in the report and can you provide any suggestions for any additional points to be considered and/or steps to implementation?***

***Q9 - What would be your preferred mechanism for engaging with DNOs for specific DSO Service design activities and/or procurement events?***

***Q10 - In addition to the data set out in Appendix 2, what extra information might DER or market platforms require to support their involvement in the procurement of DSO Services?***

## **DSO Services Dispatch & Settlement Processes - Product 3**

We will start development of our Product 3 in July and we will include stakeholders in our development work (e.g. through the Advisory Group) later in the year.

## **DSO Services Commercial Arrangements – Product 4**

The Open Networks Project is in the process of reviewing the Service Agreements and contracts utilised by DSOs when procuring flexibility services, identifying examples of good practice and producing an implementation plan for a common approach and the DSO Services Commercial Arrangements Product 4 is published on the ENA website here<sup>8</sup>.

In listening to stakeholder feedback through Advisory Group discussions and elsewhere, we have changed this product from being a roll-out of best practice to delivering a common set of Terms and Conditions to be adopted across all DNOs for DSO services. This will take longer to deliver into 2020,

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<sup>7</sup> [http://www.energynetworks.org/assets/files/ON-WS1A-P2%20DSOServices\\_ProcurementProcesses\\_Consultation\\_Final\\_2July%20v1.0%20\(Published\).pdf](http://www.energynetworks.org/assets/files/ON-WS1A-P2%20DSOServices_ProcurementProcesses_Consultation_Final_2July%20v1.0%20(Published).pdf)

<sup>8</sup> [http://www.energynetworks.org/assets/files/electricity/futures/Open\\_Networks/ON-WS1A-P4%20Interim%20Report-v1%20\(published\).pdf](http://www.energynetworks.org/assets/files/electricity/futures/Open_Networks/ON-WS1A-P4%20Interim%20Report-v1%20(published).pdf)

currently planned for March 2020, but the input from stakeholders is that common Terms and Conditions would maximise their opportunities and participation in flexibility markets by making it easier to participate across multiple DNOs.

***Q11 – Do you agree with our Next Steps and the development approach to standardise contract terms and conditions set out in DSO Services Commercial Arrangements – Product 4 and do you have any suggestions to improve our proposed developments?***

***Q12 - Do you have any feedback and comments on our Recommendations for Good Practice Adoption in Product 4?***

## **DSO Services Conflict Management & Co-optimisation – Product 5**

We have begun development work on this product, but it is not ready to share in consultation and we will include stakeholders in our development work (e.g. through the Advisory Group) later in the year.

## **Facilitation of New Markets – Product 6**

We will start development of our Product 6, Facilitation of New Markets, in July where we will consider how we can facilitate other markets (i.e. not directly procured DSO services) that the DSO might be able to support in the future (e.g. peer-to-peer trading, capacity management, trading flexibility to take on or avoid constraints). This is set out in our 2019 Workplan Project Initiation Document<sup>9</sup>.

***Q13 – What new markets do you think we should consider as part of this work and do you have any proposed changes to the scope and nature of our development work to encourage flexibility market participation?***

## **Stakeholder Engagement**

Whilst we have very strong engagement from a wide range of stakeholders in the energy industry, we struggle to find the appropriate mechanisms to engage with disruptors and non-traditional participants in the energy market.

***Q14 – Do you have any ideas on how we might better engage and encourage feedback and input from non-traditional energy market participants?***

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<sup>9</sup> [http://www.energynetworks.org/assets/files/ON-PRJ-Phase%203%20PID-v2%20\(Post%20consultation\)-Published--.pdf](http://www.energynetworks.org/assets/files/ON-PRJ-Phase%203%20PID-v2%20(Post%20consultation)-Published--.pdf)