

Open Networks Project

Review of DNO-ESO Flexibility
Procurement Process Timescales

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WS1AP2



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2 The voice of the networks



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1 Introduction

1.1 About ENA

Energy Networks Association (ENA) represents the owners and operators of licenses for the transmission and/or distribution of energy in the UK and Ireland. Our members control and maintain the critical national infrastructure that delivers these vital services into customers' homes and businesses.

ENA's overriding goals are to promote UK and Ireland energy networks ensuring our networks are the safest, most reliable, most efficient and sustainable in the world. We influence decision-makers on issues that are important to our members. These include:

- Regulation and the wider representation in UK, Ireland and the rest of Europe
- Cost-efficient engineering services and related businesses for the benefit of members
- Safety, health and environment across the gas and electricity industries
- The development and deployment of smart technology
- Innovation strategy, reporting and collaboration in GB

As the voice of the energy networks sector, ENA acts as a strategic focus and channel of communication for the industry. We promote interests and good standing of the industry and provide a forum of discussion among company members.

1.2 Our members and associates

Membership of Energy Networks Association is open to all owners and operators of energy networks in the UK.

- Companies which operate smaller networks or are licence holders in the islands around the UK and Ireland can be associates of ENA too. This gives them access to the expertise and knowledge available through ENA.
- Companies and organisations with an interest in the UK transmission and distribution market are now able to directly benefit from the work of ENA through associate status.



Procurement Processes Implementation Plan July 2021

1.2.1 ENA members































1.2.2 ENA associates

- Chubu
- EEA
- Guernsey Electricity Ltd
- Heathrow Airport
- Jersey Electricity
- Manx Electricity Authority
- Network Rail
- <u>TEPCO</u>

1.3 Background to Open Networks Project

In December 2016, Energy Networks Association (ENA) members gave their commitment to the Open Networks Project (ONP), a major collaboration that will transform the way that both local Distribution Networks and national Transmission Networks will operate and work for customers.

Launched in January 2017, ENA's ONP has started to lay the foundations of a smart energy grid in the UK.

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



- Facilitate our customers' transition to a low carbon future, including the electrification of heat and transport.
- Address the challenges rising 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.
- Play a key role in delivering overall lowest energy system costs for customers.

1.4 Purpose of this Document

Distribution networks (DNO) and the Electricity System Operator (ESO) are particularly aware that as market enablers for a whole range of new smart technologies they cannot simply focus on services where they are the principal beneficiary. As natural monopolies, networks have a duty to facilitate peer-to-peer trading of capacity, constraints and even energy for example, in their role as distribution network operators.

This document is an interim report by Product team 2 (P2) from Workstream 1A of the ENA's Open Networks project. In previous years, this product has created common flexibility service definitions and delivered alignment across DNOs procurement activities including how and when tenders are assessed by DNOs. In 2020, the ENA consulted stakeholders on the benefits of aligning procurement windows across DNOs.

In recognition of our consultation responses and in accordance with our 2021 Project Initiation Document(PID) the P2 team committed to explore opportunities to deliver further alignment on procurement timelines between the DNOs and the ESO where possible (including consideration of the Capacity Market). As part of this review, the P2 team have identified a range of options for convergence.

Following the analysis of these options, the P2 team are of the view that it may not be currently advisable or of particular value to create concurrent market procurement timelines across DNOs and the ESO and this paper captures the supporting context and rationale. The P2 team are however fully aware of the drive for alignment and the need to move towards closer to real time procurement. We are keen to work with market participants to seek their views on this and to understand how we can better facilitate participation in flexibility markets today. We wish to understand if not aligning at this stage will prevent broader participation. We welcome feedback on the options analysed and on what further alignment can be achieved, particularly between now and the start of ED2 in 2023.

Furthermore, during the development of this report and through various workshops the P2 team have identified opportunities to provide greater visibility of upcoming flexibility procurement to market participants across DNO and ESO procurement timelines. These opportunities will be outlined in this document. The findings in this report aim to simplify participation in the market for flexibility services, making it easier for participants to identify opportunities and enable them to offer services to multiple markets with confidence.



2 Scope of the Product

2.1 Product deliverables

Two key deliverables were outlined within the PID, sub-deliverable a and sub-deliverable b. The full scope for these is detailed below.

Sub-deliverable a

Confirming timescales for alignment with ESO timescales or reasons for not being able to align.

Inclusions

- Undertake gap analysis of existing DNO and ESO procurement timelines. Capture identified challenges
 and supporting reasons where alignment is considered unlikely to be possible or not advisable.
- Identify opportunities for greater co-ordination and / or alignment of DNO and ESO flexibility procurement timelines

Exclusions

- Detailed specifications of future procurement processes such as real time procurement for DNO services which by definition ensures alignment with existing real time ESO procurement activity.
- Aligning DNO and ESO procurement processes and associated documentation.

Assumptions

 All DNO's have adopted the consistent terminology for these active power services as agreed in WS1A P2 2019.

Constraints

- DNOs have varying stages of technological capability, and some services are not currently being actively procured.
- DNOs are trialling the real-time procurement of products, but the full outcome will not be known until the start of ED2 (March 2023).
- ESO is primarily procuring real-time products or longer-term services through pathfinders.

Final Deliverable

Co-ordinate and publish DNO and ESO procurement timelines clearly and accessibly to provide greater visibility to the market of upcoming procurement activities



Sub-deliverable b

This paper will also confirm implementation timescales for any proposals for alignment across DNO and ESO procurement timelines.

Inclusions

- Agree aligned approach for areas identified through gap analysis in sub deliverable a.
- Agree an implementation plan for greater visibility of procurement activities.

Exclusions

 DNOs and ESO to provide a timeline for implementation of good practice, considering impact assessment outcomes.

Assumptions

• This paper will detail activities at a high level, as the timescales for subsequent changes informed by stakeholder feedback is not yet known.

Constraints

 There is a potential constraint on the availability of staff within each organisation to make the agreed updates to published materials, depending on the extent of the changes following stakeholder feedback.

Final Deliverable

The final implementation paper will outline when greater co-ordination across DNO and ESO procurement timescales can be implemented along with a roadmap detailing key milestones and any interim deliverables.



3 Product timeline

The product team have been engaged monthly through a series of workshops and calls to undertake these activities.

Activity	Date
Review of 2020 Consultation	Apr 2021
Review of DNO and ESO Timelines	Apr-May 2021
Identify opportunities for Alignment	Apr-May 2021
Undertake gap analysis.	Apr-May 2021
Development of Paper	Jun 2021
2021 Consultation	Jul-Sep 2021
Develop Implementation Plan, taking on board consultation feedback from stakeholders	Oct-Nov 2021
Published improved timelines on ENA Website	Oct-Nov 2021



4 Product Outputs

4.1 Sub deliverable a

4.1.1 Identify opportunities for alignment for DNO and ESO procurement timelines.

Alignment could be inferred as everything happening at the same time, however the purpose of the workstream including this product is to make sure market participants can participate in multiple markets across various regions and alignment should only happen if it is of use. It is understood through various stakeholder consultations and engagement that flexible providers prefer to have a degree of alignment in flexibility procurement timelines, but the timescales may not always be suitable. Stakeholders also requested greater co-ordination between the DNOs and the ESO in procurement approaches and greater visibility of future procurement activities and associated timescales. Taking this on board we looked at options that could be aligned, further information in Table 1 of 4.1.2.

Specific feedback from stakeholders from the ON Flexibility consultation in 2020 indicated support for convergence on timelines and timescales of procurement processes across all networks, both transmission and distribution, including real-time markets that the ESO is moving towards. This has helped our thinking but we would like to draw out more from market participants to understand what they would like to see and understand what is feasible. Some of the stakeholder feedback below:-

- we agree with the alignment of the timings for procurement across the DNOs as this would consolidate some of the effort associated with the administration for each procurement cycle";
- 'we believe that with scale this should move towards a more dynamic model with ongoing asset onboarding in the market and procurement close to real-time'
- This needs to include DNO flexibility markets moving closer to real time, with day-ahead and even withinday markets
- welcomes the proposal to align the timing of procurement across DNOs. It is important to ensure that these do not clash with other market tendering timelines (e.g. the CM).
- would prefer multiple procurement cycles per year at different tranches to reflect the value of different types of flexibility at difference scales / durations
- though we would argue that these should be staggered as much as possible to avoid the deadline for bids falling on the same day for all projects across all DNOs

There appears to some support for alignment, however there appears to be little evidence of value for complete convergence of procurement activities as this may prevent some providers wanting to participate across multiple regions and markets, in particular the Capacity Market. The P2 team are also concerned that running procurement windows concurrently across all DNOs and the ESO risks potentially creating barriers to market entry and not delivering any tangible value. From this perspective, a staggered but co-ordinated procurement approach is preferable, as this ensures fair and equal opportunity to participate in all available opportunities.

During this review the P2 team also identified opportunities for improving the public availability and communication of upcoming procurement milestones across DNOs and the ESO. DNOs currently use the <u>Project Timeline – Preceden</u> which is hosted on the ENA Webpage to signpost requirements. This is a timeline of flexibility tenders across all of GB DNOs since 2019 and there are also links to each of the DNOs flexibility tenders' pages with the timeline.



There is an opportunity to simplify the information contained within this platform to improve visibility and ensure stakeholders have a clear understanding of active power flexible product timelines. We believe the Flexibility in GB timeline as currently displayed could be further improved to provide the reader with a simple table of key events and dates for each of the DNOs. This could be further evolved by the inclusion of a typical ESO procurement timeline.

Stages	WPD	UKPN	ENW	NIEN	SSE	SPEN	NPG	ESO(FFR Monthly)
Signpost Requirements and PQQ Open								BD 18 Prior to month
ITT Open								BD 18 Prior to month
PQQ Close								BD1
ITT Closed								BD1
Contract Award								BD14
Service Go Live								1st Day of next month

The simple table (used for illustrative purposes) above includes the addition of a standard monthly timeline that the ESO uses for the procurement of Firm Frequency Response (FFR), a process which runs every month for service delivery for the following month but this could be further enhanced with the annual timetable for the Capacity Market and other ESO procurement activities.

However, the P2 team do recognise that the Smart Systems and Flexibility Plan is driving towards further alignment with DNOs and the ESO, therefore we would welcome ideas and suggestions how we can further evolve alignment between now and the start of ED2.

To support this the P2 team carried out gap analysis and looked at options to align, further information is in section 4.1.2 and we would welcome feedback on these options.

4.1.2 Undertake gap analysis

Gap analysis was undertaken to understand how each DNO and ESO currently deliver the procurement of their respective flexible products. The full analysis of this in in Appendix 1 to this document.

As you will notice from the gap analysis, all DNOs operate similar timeframe's from identifying requirements to the delivery of contracts, in line with best practice as identified from ON2020 WS1A P2 and Procurement obligations, such as providing at least 3 months from ITT's opening to bidding closing. However, the point in the year in which they are issued do not align across all networks: some will align with the Load Index reporting undertaken in September – October, with sites that require further analysis being issued in March in line with the new Standard Licence Condition (SLC) 31E submissions; other DNOs issue their competitions in January and July each year, however both timelines cater for summer and winter requirement windows following stakeholder feedback from previous consultations.

ESO run a number of procurement activities for their balancing services as identified in the gap analysis, which many flexible providers actively participate in. We have included some of these, such as FFR, DC and the Capacity Market. In more recent times the ESO is investigating real-time procurement or longer-term procurement with longer lead times. Longer term procurement tends to be for new products and services with the emphasis on developing liquidity, covering any investment needs and to build competitive markets for the future system



needs. The gap analysis highlighted some of the ESO products and services and it's worth noting many are moving to real-time procurement because of liquidity, certainty of need and a desire for greater opportunities. Therefore, at this stage it doesn't seem appropriate to move away from this approach and to align with the current procurement timeframes that the DNOs operate, i.e. 6 monthly tender timelines, especially given the feedback from stakeholders that they value real-time procurement and would like to see DNO's move towards this approach in the near future.

Furthermore there is a future opportunity to align ESO real-time procurement activity with elements of "close-to-real-time" procurement that the DNOs are currently trialling with the TEF collaboration. The TEF collaboration, is made up of three Ofgem NIC funded projects TRANSITION¹ (SSEN and ENW), EFFS² (WPD), and FUSION³ SPEN). These are multi-year innovation projects seeking to further evolve the design of well-functioning markets for DNO flexibility services. They are not only looking at the 6-monthly timeframes for DNO procurement, but also trialling week-ahead and day-ahead DNO equivalents of the close to real-time markets that the ESO have launched with their e.g. Dynamic Containment (DC) and Short-Term Operating Reserve (STOR) markets. Meaningful outcomes and learnings from TEF are expected in late 2021 and 2022, with dissemination via ENA Open Networks a committed objective.

As noted in the PID, some of the procurement process timelines such as the Capacity Market are set in stone and would need further consultation with BEIS to understand if there is any opportunity to align this with the DNOs procurement processes, however the proposal on the ENA website should share visibility of this activity and links for further information. Stakeholder feedback is also not supportive of amending the Capacity Market tender process..

Options Analysis

The P2 team carried out a review of the options and types of procurement alignment as referenced in 4.1.1 and the findings together with the stakeholder feedback were not supporting or providing any real evidence of what would be of benefit to market participants, but rather that we continue with the staggered timescales but also improve the visibility of procurement timescales. The P2 team would however welcome feedback on the Pros and Cons of scheduled aligned or staggered timescales or any other option.

The three options below were considered by the P2 team, we would welcome any other option or consideration including what would be most helpful for market participants to bid into multiple markets.

Type of			
procurement			
alignment	Pros	Cons	P2 Team Findings

¹ SSEN Transition (ssen-transition.com)

² Western Power Distribution - EFFS

³ Fusion - SP Fnerov Networks



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1	Scheduled aligned timescales	FSPs who participate in multiple DNO and ESO procurement processes can prepare bids at the same time. FSPs weighing whether to apply for both DNO and ESO services will be better informed.	resources to participate in multiple bids at the same time especially if being procured across different platforms. Strong stakeholder support in favour of avoiding clashes with the Capacity Market & other ESO competitions that prevent revenue stacking. Internal processes and regulatory submissions govern the time of the year. DNO markets may suffer as FSP's opt for the most rewarding offer due to time constraints.	There is no real evidence whether this will be of overall benefit or not to FSPs, feedback from stakeholders has been both for and against.
2	Scheduled staggered timescales and Improved visibility	Any FSPs who participate in multiple DNO and ESO procurement processes can spread out and plan their bid preparation. This allows them to stack assets into multiple markets, and to focus on recruitment of aggregated assets in specific locations at different times of year. Strong stakeholder support in favour of avoiding clashes with the Capacity Market & other ESO competitions.	FSPs will not be able to prepare bids at the same time as administrative tasks are spread across the year. However, if all operators used the same platforms this may not be an issue.	As is but there is no real evidence whether this will be of overall benefit or not to FSP, as we have had feedback from Stakeholders both for and against. First step towards greater visibility of Flexibility Services procurement processes and timescales, However, looking to 2022, further alignment work on pre-qualification and data will be undertaken, will reduce administrative burdens and simplify the procurement process.



3	Timelines	Allows FSPs to better plan their bid resources	Time pressure for FSPs bidding for multiple services under a single procurement round. Requires greater coordination. Doesn't fit with the drive towards real time procurement and operating dynamic	Timeline alignment as part of wider process alignment could be seen as beneficial overall.
			systems.	

With respect to improving visibility, whilst a significant amount of information about upcoming flexibility procurement across DNOs and the ESO is already in the public domain, it is not accessible from a single resource. To simplify participation in the market for flexibility services, make it easier for participants to identify opportunities and enable them to offer services to multiple markets with confidence, we would propose a Flexibility page on the ENA Flexibility services website which may contain:

- A table detailing all of the upcoming procurement rounds for each DNO & ESO including prequalification dates, open & close dates etc, similar to what has been suggested in 4.1.1
- Links to all DNO's Distribution Flexibility Procurement submissions (SLC31E)
- Consideration of links to historical reports of previous tenders
- Links to ESO Procurement activities
- Flexibility Figures spreadsheet (currently fed into biannually by all DNO's).

This repository will act as a single source of consistent information for flexibility providers seeking to understand future commercial opportunities across the UK. The aim in providing accessible, transparent and simple information is to encourage participants in future flexibility procurement and further support the development of electricity flexibility markets in the UK. In future, the ENA Standard Flexibility Terms & Conditions which are to be adopted by the DNOs and the ESO (as developed by WS1A P4 over the coming year) and a summary of active DNO and ESO flexibility products could also be hosted on the page.

ESO services that could be included in the Flexibility page are FFR, Optional Downward Flexible Market (ODFM) and Constraint Management Services. Those that would be excluded by definition are the close to real-time procurement of DC and STOR.

4.1.3 Develop Implementation plan for alignment of these parameters and feed into the WS1A consultation in July.

At this stage the P2 team are not envisaging developing an implementation plan for any further alignment until the outcome of the consultation in September. The feedback from the consultation will assist us in identifying if market participants do have a desire for further alignment with the ESO and we would welcome a review of the options outlined in 4.1.2 and the gap analysis in Appendix 1.



We are also seeking feedback from market participants to provide greater visibility of procurement activities with an expectation to develop this by November 2021 to align with the next publication of the SCL 31E statements in March 2022.

4.2 Sub-deliverable b

Implementation timescales for any proposals for alignment across DNO and ESO procurement timescales

4.2.1 Agree an aligned approach for areas identified through gap analysis in sub deliverable a.

As discussed previously in sub-deliverable a, we believe there may be an opportunity to align DNO and ESO activities in the future, if it is of value to market participants and sharing visibility of this on the ENA webpage and stakeholder feedback will will enable this. We shall continue to work together in a co-ordinated manner and seek to address these gaps including responding to stakeholder feedback from the July 2021 consultation.

We shall also seek opportunities to further align, especially working closely with the TEF collaboration and the ESO to understand when and how real time procurement will work.

The work undertaken by P2 in 2020 identified common building blocks for flexibility procurement that DNO's have now implemented into their procurement processes. These include the adoption of a prequalification stage before the opening of bidding windows and ensuring a window of at least three months between publication of requirements and bidding closing.

4.2.2 Agree an implementation plan for alignment and greater visibility.

Subject to consultation feedback we shall work closely with the ENA on an implementation plan for any further alignment and to develop a repository on the ENA webpage throughout 2021 so that market participants are able to fully utilise it from Nov 2021. We would then seek to make further amendments where appropriate for March 2022, when the next set of SLC 31E Distribution Flexibility Procurement Statements are published.

As mentioned previously many of our stakeholders are seeking greater understanding and ability to participate in flexibility markets rather than complete alignment of all procurement timelines. Continued co-ordination between the DNOs and ESO will go a long way to achieving this.

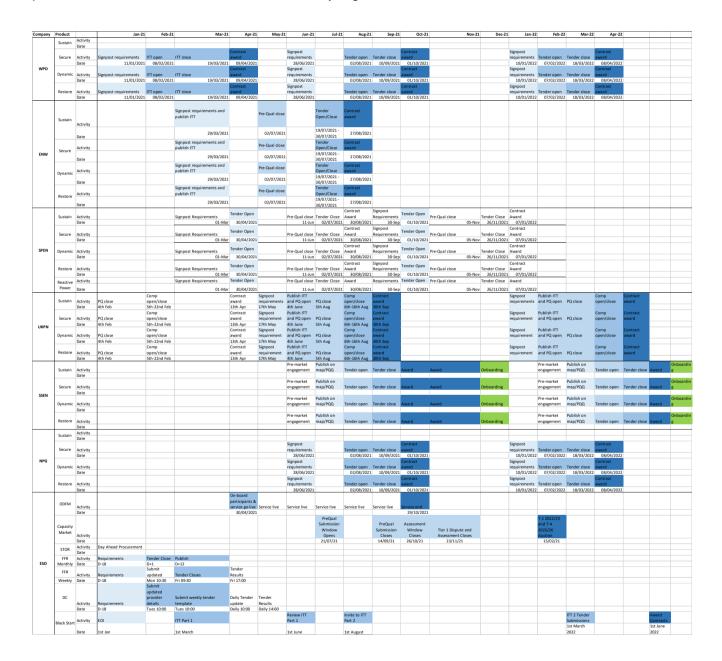
4.2.3 DNOs and ESO to provide a timeline for implementation of good practice, considering impact assessment outcomes.

We shall reach out individually and collectively to the market and key stakeholders to keep them regularly informed of our timelines for implementation and continue to consult and consider the impact of providing greater visibility of upcoming flexibility procurement activity.



Appendix 1 Gap Analysis

During the review the P2 team looked at each of the DNOs and ESOs procurement timescales and the following spreadsheet demonstrates what alignment currently exists, primarily within the DNOs. The procurement activities of the ESO are not currently aligned.





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