

# Open Networks ON WS1A P4 Standard Agreement V1.2

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# Product Team & Summary Points

## Summary

- **Version 1.2 Final draft now completed for review ahead of implementation**
- **Significant changes across the version following Stakeholder feedback and DNO revision, these slides give an overview of key changes to support stakeholder review of the contract.**
- **Evolution Paper and Liabilities/Indemnities work paused to focus on V1.2 delivery**

WS1 P4 Members in 2020

Company	Primary Representative
SSEN-D	Alex Howison – Product Lead Gemma Lampert
NG (SO)	Andrew Rice/David Spence
NIEN	Bradley Cormac
NPG	John Leighton
SPEN-D	Wendy Mantle
ENWL	Lois Clark
UKPN	Stathis Mokka, Helen Hassan & Rebecca Slattery
WPD	Helen Sawdon

## Key changes

- **Insurance Clause completely removed in place of additional paragraph in Liabilities & Indemnities Clause**
- **Discretionary Services and Variations to Services clauses shifted from core contract into Schedules**
- **DNO specific variances to V1.1 absorbed within this version to reduce use of ‘special conditions’ appendix**
- **Additional Appendix for ‘Dispatch Systems/Technical Requirements’ added (Covering system requirements such as Flexible Power)**
- **Additional wording added to Confidentiality clause to cover CEP License changes**
- **Multiple changes/updates to Glossary and simplification to clauses across the agreement**
- **Core ‘Contract’ has dropped to 20 pages (including signatory and title pages) with 7 Schedules, providing increased alignment with ESO approach**

# Feedback Change examples

Feedback Area	Feedback examples	Response
Aggregators	<p>'The standard contract needs adjusting to ensure it works for aggregators, including the aggregation of demand response from smaller assets. The main body of the agreement is worded as if the Provider owns or operates the assets and is not in line with aggregators' business models, including those that use Virtual Power Plants (VPPs). As a default position, the requirements of the contract should be capable of being met commonly as part of demand aggregation through a third party, unless there is a legitimate reason for site-specific Page 2 of 4 obligations. There are several examples around monitoring, testing and DNOs having the rights to visit and installing 'on site' that are not appropriate for aggregation, especially where this involves small or residential sites.'</p> <p>'The agreement is drafted for individual DERs that provide flexibility of more than [50kW] (Schedule 1) and changing assets requires a minimum of 30 days' notice (Clause 4.2) which we believe could be detrimental to a fair, transparent and commoditised flexibility market. This approach ignores the practice of aggregators, suppliers and traders who aggregate smaller DERs to provide a reliable delivery of flexibility services. We believe this is an oversight that could reduce the attractiveness, competitiveness and liquidity of DNO flexibility markets in the short-term, all of which are vital for the growth of flexibility services. This approach also ignores the risk management capability provided by aggregators who often rely on a larger pool of asset than required to meet their contractual commitments, automatically providing their own reserve through the use of a reconfigurable portfolio of flexibility as a risk management strategy.</p> <p>Further, the contract appears to be drafted for counterparties who own the asset rather than those who control the flexibility which may be a quirk of the drafting or a deliberate approach.'</p> <p>'We are concerned that smaller assets or assets with smaller flexibility appear to be excluded from consideration, especially given the increase in domestic flexibility as a result of the decarbonisation of heat and transport. It is appreciated this may be a phased approach towards flexibility rather than an oversight.'</p>	<p>Multiple changes across the Document, from Recitals through to the Schedules to remove singular terminology and pluralise statements to reflect the opportunity for aggregators and aggregated assets in providing Flexible Services. Requirements for site visits have been updated/relaxed as have clauses detailing equipment installation.</p>

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Provider's Obligations	This should only apply during service windows, not all the time.	Across the contract and where possible, some references to 'at all times' have been removed in Version 1.2
Provider's Obligations	As an aggregator we would not always have all this information. Our standard customer demand response terms to not entitle us to it from the customer.	Metering equipment and site specific requirements have been reduced in Version 1.2.
Providers Obligations	In terms of access, obligation on the Company to comply with reasonable requirements for site access. (e.g. health and safety requirements, and having to cooperate on scheduling – it's not acceptable to many customers to give DSOs an unrestricted right of entry, even with notice.).	Clause has been changed within Version 1.2 to include specificity on the scenarios such access could be deemed reasonable.

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Insurances	<p>The reference to the Provider having to add the Company as a “named party” on its insurance policies should include alternative options of either noting the Company’s interest on the insurance policies or including an indemnity to principals in the insurance policies. Adding third parties as named parties to Group insurances is complex and not always possible or indeed beneficial for the third party.</p>	<p>This has been reworded in Version 1.2.</p>
Insurance	<p>The phrase “only to the extent of its liability under this Agreement” does not make sense and should come out.</p>	<p>This has been reworded in Version 1.2.</p>
Representations and warranties	<p>This is written as though the Provider owns the DER assets itself. The standard contract needs to accommodate Providers who are aggregating customer assets, as well as any assets the Provider owns. As such, these obligations should be written as the Provider “ensuring or procuring that the DER” has the things required (e.g. connection agreements and permits).</p>	<p>This section has been extensively reworked to ensure it is more open to aggregators/aggregated assets</p>
Representations and warranties	<p>DSR aggregators sometimes enter into open-book contracts with DER asset owners. Revenue sharing agreements are even included in the Flex Assure voluntary DSR Code of Conduct that Centrica Business Solutions is a member of.</p> <p>In an industry where it is not uncommon for aggregators to go open-book with DER asset owners on the income from flexibility services, it does not feel right to warrant that we have not communicated the charges to anyone. We suggest a carve out is included in respect of “in connection with the provision of the Flexibility Services”.</p>	<p>This section has been extensively reworked to ensure it is more open to aggregators/aggregated assets</p>

## Key changes - Examples

### Recitals

The Provider is the owner and/or operator of assets, or has entered into arrangements for rights in respect of third party owned assets that have the capability to provide Flexibility Services and wishes to make available each Site for the provision of such Flexibility Services, for example through aggregated or individual assets. The Company will pay the Provider for these Flexibility Services in accordance with this Agreement.

### Providers obligations – access

Permit and grant (or secure) rights of access to and over and egress from the Site to the Company and/or its agents or sub-contractors (upon reasonable notice within normal working hours) as the Company may reasonably require in order to inspect and test the DER, or to install, maintain, replace or remove communication equipment belonging to the Company in relation to the provision of flexibility services.

### Insurance

The Provider shall procure (and on request provide evidence to the Company of) appropriate insurances as required by law and necessary for the safe and efficient performance of this Agreement to cover the liabilities set out in this Clause [14], with a reputable insurance company. Where possible the Provider shall add the Company as a named party on its insurance policies.

## Additional Points

- Feedback from Aggregators still presents challenges in securing metering data and the responsibility for providing this, especially at domestic level, so further engagement on these points will be required ahead/in support of Version 2 works
- Liabilities and Indemnities work will continue in Version 2 works, the P4 team will confirm a single approach for implementation between DNOs & the SO. DNO's are in agreement current contract value cap is unlikely to stay in Version 2 with the most likely change being a 'dual liability' inline with the current WPD/SO approach, however specifics need to be confirmed
- Version 2 works while focusing on DNO/ESO alignment will also continue to adapt to ENA Open Networks product outputs, such as the WS1A P7 baselining product, as well as stakeholder feedback submitted to DNO's and the ENA.