ENA Open Networks
Standard Agreement (V2) for flexibility procurement Consultation webinar

Wednesday 22nd September 2021
Thank you for joining this Webinar.

• This webinar will commence at 14:03.

• If you are unable to play the audio through your device, you can dial in by calling +44 20 3855 5885 and using access code 310696739#

• All microphones have been set to mute to avoid background noise.

• Please ask questions or make comments via the chat function throughout the meeting.

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• Please keep your cameras off for this session to help limit the bandwidth required. You are welcome to turn your camera on for any questions or discussions.

• The slides from the webinar will be made publicly available on ENA’s website.

• If you would like to receive information about the Open Networks Project or have any feedback you would like to submit, please get in touch with us at opennetworks@energynetworks.org.
Welcome

Today’s webinar will be delivered by Andy Rice and Abisola Dapo-Akinpelu from the ESO. Supporting the webinar today will be Alex Howison (SSEN) and Joe Horgan (NPG) who will be available to answer questions during the Q&A session.

Alex, Joe, Abisola, and Andy are all part of the ENA WS1A P4 workstream that has developed version 2 of the Standard agreement that is currently out for industry consultation.
<table>
<thead>
<tr>
<th>Item</th>
<th>Start</th>
<th>End</th>
<th>Time</th>
<th>Description</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>14:03</td>
<td>14:05</td>
<td>2</td>
<td>Welcome &amp; Introduction</td>
<td>Connor Innes (ENA)</td>
</tr>
<tr>
<td>2</td>
<td>14:05</td>
<td>14:40</td>
<td>35</td>
<td>Standard Agreement Presentation</td>
<td>Andy Rice (NG-ESO) Abisola Dapo-Akinpelu (NG-ESO)</td>
</tr>
<tr>
<td>3</td>
<td>14:40</td>
<td>15:20</td>
<td>40</td>
<td>Q&amp;A Session</td>
<td>Andy Rice (NG-ESO) Abisola Dapo-Akinpelu (NG-ESO) Alex Howison (SSEN) Joe Horgan (NPG)</td>
</tr>
<tr>
<td>4</td>
<td>15:20</td>
<td>15:25</td>
<td>5</td>
<td>Summary &amp; Next Steps</td>
<td>Andy Rice (NG-ESO)</td>
</tr>
<tr>
<td>5</td>
<td>15:25</td>
<td>15:30</td>
<td>5</td>
<td>Wrap up</td>
<td>Connor Innes (ENA)</td>
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Open Networks Flexibility Standard Agreement (V2) Consultation

Andy Rice (NG-ESO)
Abisola Dapo-Akinpelu (NG-ESO)
P4 Product Team and Standard Agreement Summary Points

- Version 2 of the Standard Agreement is now out for consultation
- Feedback from stakeholders on Version 1.2 further addressed
- Adopts agile framework structure
- Service-specific schedules
- There is an additional requirement for the ESO to run industry consultations to comply with the Electricity Balancing Guidelines (EBGL) Article 18 and the Clean Energy Package.

Product team members in 2021

<table>
<thead>
<tr>
<th>Company</th>
<th>Primary Representative</th>
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</thead>
<tbody>
<tr>
<td>SSEN-D</td>
<td>Alex Howison – Gemma Lampert</td>
</tr>
<tr>
<td>NG (SO)</td>
<td>Andrew Rice - P4 Lead, Abisola Dapo-Akinpelu</td>
</tr>
<tr>
<td>NIEN</td>
<td>Bradley Cormac</td>
</tr>
<tr>
<td>NPG</td>
<td>Joe Horgan, John Leighton</td>
</tr>
<tr>
<td>SPEN-D</td>
<td>Wendy Mantle</td>
</tr>
<tr>
<td>ENWL</td>
<td>Lois Clark</td>
</tr>
<tr>
<td>UKPN</td>
<td>Sam Do, Helen Hassan &amp; Rebecca Slattery</td>
</tr>
<tr>
<td>WPD</td>
<td>Helen Sawdon</td>
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</tbody>
</table>
Standard Agreement: Introduction, Background and Rationale

- Over the last few years, the UK has seen a steady growth in the amount of flexibility services utilised by DNOs and the ESO to manage their respective networks.
- The market however operated with discrete agreements, as each DNO utilised separate contracts, and the ESO used another suite of contracts for transmission-based services.
- The implication of this was that a provider with assets across the country could engage with one or more different sets of requirements, terms and clauses.
- In January 2019, the ENA Open Networks WS1A Product 4 (P4) commenced significant work to evolve contractual arrangements and develop a Standard Agreement for flexibility services.
- Previous versions of the Standard Agreement focused purely on DNO contract alignment. Versions 1, 1.1, and 1.2 were based around the bilateral contracting structure of DNOs and could not accommodate the ESO’s auction-style day ahead procurement.
- Hence, one of the key objectives for Version 2 was the creation of a single approach for implementation by the DNOs and the ESO.
The Development of the Standard Agreement

January 2019

Product Team commenced a 12-month programme to develop a Standard Agreement for all GB DNOs (Version 1)

April 2020

Version 1.1 of the Standard Agreement expanded on the work done in Version 1 to further create alignment amongst DNOs.

February 2021

Version 1.2 of the Standard Agreement was developed based on stakeholder feedback and the DNOs experience of using Version 1 and Version 1.1

September 2021

Version 2 of the Standard Agreement has been published for consultation. This is the first version of the Standard Agreement to be utilised by both the DNOs and the ESO. Version 2 seeks to improve accessibility and facilitate participation by non-traditional parties. There is also an overall focus on simplification of language.
Version 2 of the Standard Agreement

Version 2 is the latest version of the Standard Agreement to be used across ESO and DNO services. This is the first version of the Standard Agreement that facilitates a more agile procurement and contract award process, by moving to a framework based structure and aligning the schedules to be service specific.

• Version 2 was developed using the combined best practices from the current ESO contracting process, commonly referred to as ABC that is being issued for services such as Dynamic Containment and STOR and version 1.2 of the Standard Agreement.
• We have taken existing clauses from the General Contract Terms and where necessary made adjustments to simplify the clauses to work for all parties.
• Version 2 of the Standard agreement was created not only by looking at how the ESO and DNOs contract now but also what could be required going forward.

How was Version 2 developed?
Version 2 of the Standard Agreement

Version 2 of the Standard Agreement further addresses feedback received from stakeholders on Version 1.2 and creates a single approach for implementation by both DNOs and the ESO, with specific focus on:

- Accessibility
- Simplification of Language and Conciseness of Clauses
- Inclusion of aggregated assets in addition to single DERs
- Liabilities and Indemnities
- Obligations Imposed on Providers
- Data, Equipment and Access Rights
## Key Updates in Version 2 of the Standard Agreement

<table>
<thead>
<tr>
<th>Structure</th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Framework Structure</strong></td>
<td>Version 2 successfully secures alignment between the ESO and DNO by introducing a framework contractual structure, which allows contracts to be awarded, ranging from day ahead (auction-style) agreements to bilateral contracts.</td>
</tr>
<tr>
<td><strong>Service Based Schedules</strong></td>
<td>Version 2 utilises service-based schedules, which define how each service is to be procured and provided. The structure makes it easier for providers to follow what is required per service and enables any service/contractual documents to be isolated, in the event of industry consultation. Please see diagram on next page.</td>
</tr>
</tbody>
</table>
Key Updates in Version 2 of the Standard Agreement – Service Based Schedules
### Proposed Structure

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>General T&amp;Cs</td>
<td>V1.2 and Glossary were a combined document</td>
</tr>
<tr>
<td>General Glossary</td>
<td></td>
</tr>
<tr>
<td>Service Terms – DNO Active Services</td>
<td>The ‘Schedule’ is now replaced by ‘Service Terms’ – which includes elements from existing schedule 1 and 2, i.e. service description, requirements, service window tables, charging and payment details.</td>
</tr>
<tr>
<td>Glossary – DNO Active Services</td>
<td>Service specific glossary as required</td>
</tr>
<tr>
<td>Annexes</td>
<td>Detail which was included in Schedules 4, 5, 6 &amp; 7 of DNO agreements, and supporting detail from ESO suite now included in named Annex’s – i.e. Communications, Performance Monitoring, Technical Requirements, Tender rules</td>
</tr>
<tr>
<td>Forms &amp; Templates</td>
<td>Such as Sites/DER details, Form for unavailability, Performance reports and ESO templates</td>
</tr>
<tr>
<td>Signatures</td>
<td>ESO Forms A, B and C, DNO Agreement ‘form’, contract award notice</td>
</tr>
</tbody>
</table>
### Schedule 1 - Service Description

- **Service Terms**

### Schedule 2 - Flexibility Service Charges

- **Service Terms**

### Schedule 3 - Sites & DER

- **Service Terms**

### Schedule 4 - Communications

- **Service Terms**

### Schedule 5 - Performance Monitoring

- **Service Terms**

### Schedule 6 - System/Technical Requirements

- **Service Terms**

### Schedule 7 - Special Requirements

- **Service Terms**

### Schedule 8 - Participation Guidance Doc

- **Service Terms**

### Schedule 9 - Tender Rules

- **Service Terms**

### Schedule 10 - Testing Analysis Tool

- **Service Terms**

### Schedule 11 - Testing Guidelines

- **Service Terms**

### Schedule 12 - Testing Analysis Tool

- **Service Terms**

### Permitted Extensions & Periods

- **Service Terms**

### Service Parameter Tables

- **Service Terms**

### Service Failure Reporting

- **Service Terms**

### Service Window Tables

- **Service Terms**

### Service Requirements

- **Service Terms**

### Invoicing Process (if different to Clause 11)

- **Service Terms**

### Charges and Calculation tables

- **Service Terms**

### Reduction, Withholding and recovery of payment detail (if required)

- **Service Terms**

### DNO Communications Annex

- **Service Terms**

### DNO Performance Monitoring Annex

- **Service Terms**

### DNO System/Technical Requirements

- **Service Terms**

### DNO Special Requirements Annex

- **Service Terms**

### Site/DER Detail

- **Service Terms**

### Unavailability/Remedy Template/Form

- **Service Terms**

### Performance Report template

- **Service Terms**

### Provider Data Template

- **Service Terms**

### Tender Data Template

- **Service Terms**

### Form A

- **Service Terms**

### Form B

- **Service Terms**

### Form C

- **Service Terms**

### DNO Signature Page

- **Service Terms**

### Post Contract Award Notice

- **Service Terms**
## Key Updates in Version 2 of the Standard Agreement – Implementation of Feedback From Stakeholders on Version 1.2

<table>
<thead>
<tr>
<th>Feedback Area</th>
<th>Feedback</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inclusion of aggregators</td>
<td>The standard contract needs adjusting to ensure it works for aggregators, including the aggregation of demand response from smaller assets.</td>
<td>Building on updates made in Version 1.2, which include, the removal of singular terminology and the use of pluralised statements to reflect applicability to aggregators and aggregated assets, Version 2 incorporates more extensive changes which demonstrate that aggregators may not always be in control of the assets and as such, may need to procure that asset owners adhere to obligations.</td>
</tr>
<tr>
<td>Providers Obligations</td>
<td>Requirements for site access – it is not acceptable to many customers to give DNOs an unrestricted right of entry, even with notice.</td>
<td>This clause has been further relaxed within Version 2.</td>
</tr>
</tbody>
</table>
### Key Updates in Version 2 of the Standard Agreement – Implementation of Feedback From Stakeholders on Version 1.2

<table>
<thead>
<tr>
<th>Feedback Area</th>
<th>Objective</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities and Indemnities</td>
<td>Harmonisation of the liabilities and Indemnities provisions across DNOs and the ESO.</td>
<td>The liabilities and indemnities provision has been amended to align with the ESO model. Thus, under the Standard Agreement, there is a general cap on liability for asset damage, with specific limits for the DNOs and the ESO. Furthermore, specific indemnities as relevant to the services, are set out in the schedules. The dual-cap approach is implemented across the ESO’s services and has undergone specific and sustained engagement with the ESO’s contractual change processes. It is critical to note that capping of liabilities balances the DNO/ESO risk for the failure of service provision and resultant costs of alternative solutions or in some cases asset damage and outage related penalties against the financial burden placed on service providers within the Liabilities and Indemnities sections of the agreement, which had previously been seen as a potential blocker to participation. Furthermore, it is important to highlight that the cap options are purely for contractual failures such as the non-provision of services or material breaches. Liabilities &amp; indemnities relating to fraud, death and or personal injury are and will continue to be exceptions to this cap.</td>
</tr>
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</table>
# Key Updates in Version 2 of the Standard Agreement

**Further Amendments to the Standard Agreement**

<table>
<thead>
<tr>
<th><strong>Records and Audit</strong></th>
<th>Version 2 makes a distinction between financial, contractual and performance data and the ensuing data retention obligations.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Confidentiality</strong></td>
<td>The confidentiality provisions have been amended to retain the simplicity in Version 1.2, whilst also allowing the sharing/publication of relevant data to enable greater industry transparency.</td>
</tr>
<tr>
<td><strong>Dispute Resolution</strong></td>
<td>Version 2 adopts a layered approach to dispute resolution, with disputing parties having access to a range of dispute resolution mechanisms, including negotiation, mediation, arbitration and expert determination. This approach ensures that parties are afforded the opportunity to explore amicable settlement through negotiation before recourse is had to other forms of dispute resolution including mediation, arbitration and expert determination.</td>
</tr>
<tr>
<td><strong>Inclusion of Community Bodies/Charitable Groups and Smaller Scale DER</strong></td>
<td>Updates have been made within Version 2 to recognise participation by entities other than ‘bodies corporate,’ thereby accommodating small scale flexibility service providers, community bodies and charitable groups. Overall, this ensures increased participation in the provision of flexibility services and drives competition in the market.</td>
</tr>
<tr>
<td><strong>Termination for Convenience</strong></td>
<td>Version 2 retains each party’s right to termination for convenience. The Product Team considered that it would be particularly useful for smaller providers to have this right, so as to not be locked into the contract.</td>
</tr>
<tr>
<td><strong>Termination Due to Change of Ownership</strong></td>
<td>All references to ‘Change of Ownership’ being a material breach of the contract have been excluded from Version 2. The clause has also been updated/relaxed to ensure that the Company can only terminate for change of ownership, if the new Provider/controlling entity fails to meet reasonable due diligence checks.</td>
</tr>
</tbody>
</table>
Summary & Next Steps

- Version 2 will feel extremely familiar, it’s based on the current live ESO Framework and contract process with clauses taken from existing Version 1.2.
- Looking forward this agile agreement and schedule structure can be used for existing and new products and services as they are developed by the ESO and DNO’s.
- Allow for ESO and DNO to award contracts on a daily or longer term basis.
- Built to allow for new future products/services to be added as well as updates to existing products/services.
- P4 Team will review and consider feedback from the consultation and update Standard agreement where needed, this will take place in November 2021.
- Final version will seek Steering Group approval, aiming to publish at the end of December 2021.
- Consultation closes 22nd October – please respond with any comments that support the Standard agreement or suggestions to areas that you feel need addressing.
Thank you for joining this webinar. To find out more or send us feedback, email us at opennetworks@energynetworks.org