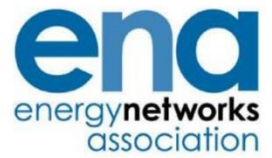


The Voice of the Networks



Energy Networks Association

Open Networks Project

**Workstream 1 (T-D Processes)
Product 2: DER Services
Procurement Review**

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Table of Contents

Executive Summary	1
1 Introduction	2
2 Project Initiation Document extract for this work	3
3 Process for DSO Service Procurement	3
3.1 Signpost Future Requirements.....	4
3.2 Identify and Communicate Procurement Requirement.....	4
3.3 Assess Market	5
3.4 Stakeholder Engagement	6
3.5 Registration of Interest	6
3.6 Procure.....	7
3.7 Remaining Process Steps: 'Operate' and 'Other non-flexibility solutions'	8
Appendix 1: New Service Development	9
1 Process for New DSO Service Development	9
1.1 Identify Network Limitations.....	9
1.2 Service Development	9
1.3 DNO and NGENSO Coordination.....	11
1.4 Engage with Potential Providers.....	11
1.5 Final DSO Service Design	12
Appendix 2: Data made available to Stakeholders during procurement	13

List of Figures

Figure 1: Flow Chart for DSO Service Procurement Process	4
Figure 3: Flow Chart for DSO Service Definition Process	9

List of Tables

Table 1: DSO Service Procurement data Items.....	13
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Executive Summary

This report summarises the work done by the Open Networks Flexibility workstream during 2019 on procurement of DSO Flexibility services by DNOs.

It builds upon the work done by the project in 2018, which established a common end-to-end process for DSO Service development and procurement and defined four standard DSO Services for DNOs to use to meet a range of network needs.

Subsequent procurement activity by DNOs has tested this process, as well as the services themselves, and presented the opportunity to refine ways of working and identify good practice. This report steps through the procurement process, highlighting at each step the experience gained and learning points identified, so that good practice can drive consistency across GB. For example:

Requirements: DNOs have taken a consistent approach to articulating network needs, but it is important that these be communicated through the fullest possible range of outlets to ensure they are as accessible as possible.

Stakeholder Engagement: The potentially broad range of stakeholders can present DNOs with a challenge regarding how best to engage with them. To date, DNOs have taken a broadly consistent approach to engaging with stakeholders to explain their needs, and to answer questions. Through this they recognise that different stakeholders value different approaches, depending on their level of experience and their ability to engage. More generally, in addition to specific events it is noted that stakeholder engagement needs to occur throughout the procurement process, with potential providers given the support necessary to meet their needs.

Procurement: DNOs' experience in completing the procurement stage is currently evolving. All DNOs recognise the importance of keeping things as simple as possible whilst at the same time ensuring compliance with relevant procurement legislation.

DNOs are continuing to evolve their approach as experience develops, so learning and good practice will continue to surface. It will be important for this to be shared with industry so that process can continue to evolve and align, to ensure ongoing efficiency in the procurement and utilisation of DSO Services. This report documents the current status at the time of consultation and we will continue to develop our processes.

ENA has captured procurement schedules, timelines and the results of contracting for services on the flexibility webpage, which can be used as a point of reference for flexibility procurement activity¹.

¹ www.energynetworks.org/electricity/futures/flexibility-in-great-britain.html

1 Introduction

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 process described in this report can be considered to have two elements. The main part of the process is that used for procuring DSO Services, which is described in section 2. A subsidiary part of the process, which covers the development of new DSO Services to address network issues not tackled through existing services, is included in Appendix 1.

Additionally, Appendix 2 contains a summary of the data DNOs expect to make available to support the process of procuring DSO Services.

Note that the report mentions both DSO Service Requirements and DSO Product Definitions. The service requirements represent an articulation of how services can meet the specific network need under consideration; and the product definitions represent what would be procured from service providers to meet that need.

2 Project Initiation Document extract for this work

The 2019 Open Networks Project Initiation Document (PID) defines this work as follows:

Product 2: Develop consistent processes to support the procurement of the DSO services taking into account the flexibility market principles from Product 1 and the output from the 2018 development work under Workstream 1. This includes:

- a) *Undertake review of procurement activities (as identified in 2018 work) to date undertaken by DNOs and identify good practice and any gaps that need to be addressed. Additional areas to address would include:*
- *Testing/prequalification requirements*
 - *Process for decision making for asset vs market flexibility*
 - *Consistent approach to flexibility reporting (look forwards, performance reports etc.)*

The deliverable will be a report summarising the findings, next level of detail for in-scope process steps.

- b) *Identify data that needs to be made available to DER to support the procurement of DSO services. The deliverable will be a list of data items to support procurement of services for use by DNOs for more consistency in data provision.*
- c) *Identify ways in which this data can consistently be made available for potential platform providers to facilitate procurement. Identify outputs that DNOs would require from potential platform providers to meet their needs. The deliverable will be a report setting out ways in which data can consistently and transparently be exchanged between potential platform providers and DNOs to facilitate procurement.*

Through the course of the work of the P2 group, the overall phasing of the work of WS1A has meant that it has not yet been possible to fully address all of these steps. For example:

- Work to consider the dispatch and settlement steps of the procurement process are captured within a separate WS1A product. It is recommended that this separate product cover the work on establishing a consistent approach to flexibility reporting.
- Items (b) and (c) have been considered together as 'data that needs to be made available to stakeholders to support the procurement of DSO Services'. This is because the group felt that there is not yet sufficient clarity on the way DNO systems and platforms will interact, but that the information produced for procurement events will in any event be prepared and made available in a consistent way. To supplement this, we ask some questions on the way the interface between DNOs and platforms might develop, and how information exchanges may change as a result of this.

3 Process for DSO Service Procurement

The process set out in this section covers procurement of existing DSO Services to meet distribution network needs. The process as originally defined within the Open Networks project's 2018 work has been updated in light of DNOs' subsequent experience of DSO Services procurement – the process described within this document is as shown in **Error! Reference source not found.** below. Descriptions of each stage, including changes from the 2018 process, follow the diagram:

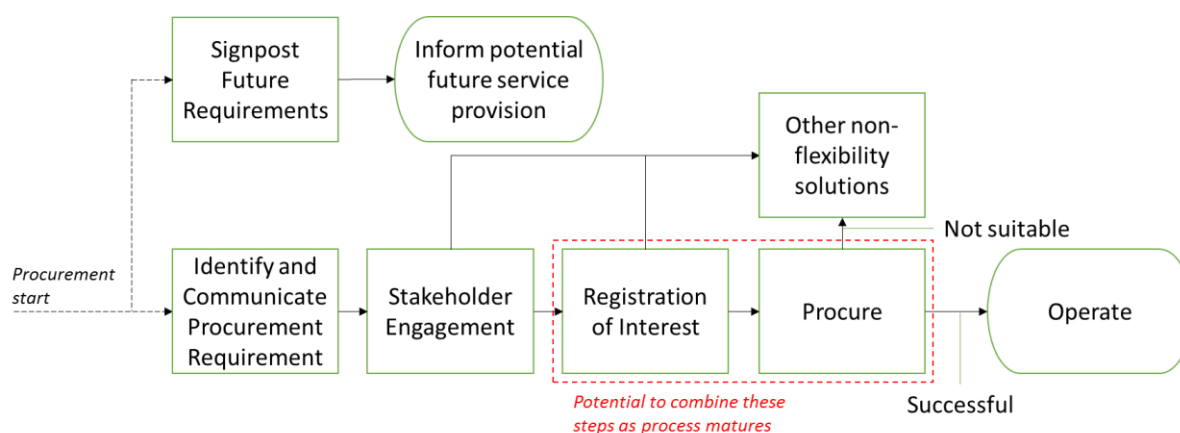


Figure 1: Flow Chart for DSO Service Procurement Process

3.1 Signpost Future Requirements

The first stage in the procurement of a DSO Service is for the DNO to clearly articulate its requirement for a service, in a manner that is readily understandable to potential providers of the service. DNOs would assess network needs on both a short-term and longer-term basis and provide a clear and robust articulation of these, in a format that can be digested by the wider market. The aim in the longer-term is to signpost requirements (with appropriate assumptions) to allow potential providers to determine the potential scope for service provision, either by existing assets; or those yet to be built. Note that it is not suggesting that long-term contracts be the solution to meeting the needs.

The process of signposting differs from that of identifying more immediate procurement requirements as it intends to provide a high-level view of network needs based on a set of forecasts (possibly via Distribution Future Energy Scenarios²) that have been communicated to stakeholders. This will give market participants a horizon scan of how network requirements, and thus flexibility services markets, are likely to change at specific points in the network over time.

Learning and 'good practice'

For this step to be successful, it is critical that the industry fully understands the assumptions that drive the forecasts, and providers consider the risks associated with making decisions based on uncertainty. There will be inevitably less information available for forecasts in comparison to the identification of more immediate procurement requirements, likely limited to; approximate service size, network location and time (day/month/year) of requirement.

Good practice is to provide information in good faith, based on the best information known at the time, however it would be important for users of the data to recognise its inherent limitations. DNOs would make clear at the time of publication that they would accept no liability for loss that may arise from use of such data.

3.2 Identify and Communicate Procurement Requirement

Step two is where the DNO takes distribution network reinforcement requirements and translates them into DSO Service requirements which could be procured through competitive means. The expectation here is that those requirements be presented in a clear and transparent way to support industry engagement at step four, by enabling potential providers to understand how they might be able to deliver against them, in the event that a procurement exercise is launched.

² A timeline for network operator future scenario publications can be found here: <http://www.energynetworks.org/assets/files/WS1B%20Product%20%20Scenarios%20Publication%20Timeline.pdf>

All DNOs, as well as NGENSO, signal the procurement opportunity by providing service requirement information online in compliance with the Utilities Contracts Regulations (UCR) 2016 (when the contract value will exceed the applicable thresholds and in some instances just to follow good practice and transparency). The aim here is to attract as much interest as possible, with the opportunity published in the Official Journal of the European Union (OJEU), company websites, and relevant flexibility platforms.

Inputs for this stage appear to be broadly consistent across DNOs, and include the following:

- Location of requirement;
- Capacity required;
- Operating availability (defined service windows);
- Voltage level of requirement;
- Expected / forecast utilisation;
- Dispatch mechanism; and
- Links to register for more information.

The outputs for this step are a set of short-medium term flexibility service requirements, provided mainly in standardised templates and publicised appropriately (for example via individual DNO websites, and platforms that connect buyers and sellers of flexibility).

Learning and 'good practice'

It is good practice that DNOs continue to use the fullest possible range of outlets when communicating requirements in a simplified and accessible way. It is noted that DNOs need to look beyond those registered with formal procurement platforms to ensure the broadest possible reach for service provision – particularly where smaller providers are concerned.

Finally, where both DNOs and the ESO use the same flexibility platforms, parallel calls can boost response rates and range of providers responding.

However, where parallel distribution and transmission calls are made, this introduces potential conflict between providing services to transmission and distribution. This conflict affects distribution more so, as distribution services tend to offer lower reward than transmission services, which can affect responses.

It is good practice that DNOs explore more dynamic routes and engage through Dynamic Purchase Systems (DPS) provided for under UCR 2016. These present an open list of pre-approved suppliers that DNOs can run tender events against in order to award contracts. This contrasts with a traditional framework, which is locked once awarded, meaning new providers cannot be added to it. DPS provide an effective way to procure DSO Services to meet specific network needs, having the benefit that the notice which advertises the opportunity should be live for the whole length of time the DPS is in place, increasing visibility.

3.3 Assess Market

The third step in the DSO services procurement process was intended to involve the DNO forming a view of whether competitive procurement of services might be an appropriate way of meeting identified distribution network needs. This would be to guard against burdening the market with needs that would be considered unsuitable for service-based solutions. In the interests of transparency, this should be performed against specific criteria. Such criteria might relate to specific economic or technical thresholds, for example as a way of ensuring requirements above a certain size automatically go forward for a competitive procurement process. Clearly, lowering the threshold would lead to more requirements to be potentially met by DSO Services via competitive procurement. It is noted that, when the estimated contract value exceeds the relevant OJEU threshold, it is mandatory to competitively tender.

In December 2018, DNOs collectively agreed a commitment³ to consider smart flexibility service markets in day-to-day operations and requirements for building significant new electricity network infrastructure. This covers all new relevant projects of significant value, where local electricity operators face congestion in grid infrastructure that results from increased electricity demand and/or distributed energy projects being connected to the grid.

This commitment has a direct link to legislative requirements to competitively tender for contracts in excess of OJEU thresholds and will be applied by DNOs for future network needs. The commitment delivers this element in the product output. Therefore, this process step has been removed from the end-to-end diagram.

3.4 Stakeholder Engagement

Step four is where DNOs present their short to medium term requirement for DSO Services to the market, with the aim of generating interest in the provision of those services; and to answer questions from potential service providers. It is expected that the requirement would be published across a range of different communication channels, along with details of whatever event is being planned to bring the DNO and potential providers together. This step needs to be sufficiently accessible for potential providers, as well as being targeted to promote participation in the right areas of network.

As explained above, all DNOs tend to use online tools such as PicoFlex or their own procurement portals to engage with industry in the initial stages of procurement, to generate expressions of interest.

Learning and 'good practice'

Consideration should be given to tender timescales, not only in terms of process, but also with regard to advance notice of when the service is required to 'go live'. ENA has begun to log forthcoming flexibility tenders on their flexibility webpage⁴. DNOs have noted that engagement to date has been time intensive, with some providers who are unfamiliar with flexibility services requiring different approaches to those with greater experience. However, engagement has proved useful, with DNOs gaining a good understanding of the needs of different stakeholder types.

Learning to date suggests that some potential providers might be happy with just information published on a website, or a webinar, rather than a physical event (given the potential time burden of attending). However, follow up engagement has been particularly useful to ensure providers better understand important documents associated with the service. Experience has indicated that these are not always reviewed thoroughly otherwise. Also, DNOs noted that the requirement for this stage in the process is likely to be greater in the early days of market development, potentially dropping off as familiarity increases.

The key learning is that we require structured stakeholder engagement throughout the procurement process, with potential providers given the support necessary to meet their needs. Post-tender, it would be good practice to review and gain feedback, so that improvements can be identified, shared and implemented.

3.5 Registration of Interest

The fifth step involves the DNO inviting prospective providers to register their interest in providing the DSO service. This step allows the DNO to understand the level of interest from potential providers of the service; and, in some instances, can inform whether a competitive procurement process is likely to be successful. Note that, at this stage, it would not be expected that price information be

³ Further details regarding the Commitment can be found here:

<http://www.energynetworks.org/assets/files/ENA%20Flex%20Committment.pdf>

⁴ www.energynetworks.org/electricity/futures/flexibility-in-great-britain.html

submitted; whether a DSO service could meet the identified network need would, at this stage, be a purely technical assessment.

All DNOs are broadly consistent in the level of detail they provide to potential providers at this stage. Generally high-level requirements are shared, with a view to broadening the potential 'pool' of DER resources to draw from in later stages. Some DNOs have provided contract terms upfront at this point in the process. Others have preferred not to share these terms at this stage, instead leaving room for negotiation in later stages (for example, in areas such as liabilities), and avoiding 'information overload' affecting interest.

Learning and 'good practice'

Some DNOs identified that the template for the Registration of Interest (RoI) is similar to that used in the next stage of procurement, and therefore risks duplication of effort on the part of the provider. However, others noted that the RoI stage can be useful, as a significant number of responses received to date have been out of the area targeted for service provision and would therefore be unable to meet the service requirement.

The information requested for RoI will be reviewed and consideration should be given to whether these templates can be streamlined, and if agreements can be developed between DNOs and platform providers to share information (reducing the need for duplication).

Through the Open Networks Advisory Group, potential providers of DSO Services fed back that the time allowed to respond is important, as they need sufficient time to prepare their approach to service provision. They also noted that procurement processes need to be as simple as possible if they are not to deter smaller providers from participating. **Timing will be reviewed in future development work.**

Similarly, as well as the need to meet minimum timescales associated with relevant procurement regulations, this time also represents advertising time for the DNO, so they will want to ensure enough time to ensure the requirement is communicated effectively.

Whichever approach is adopted by the DNO (e.g. whether RoI, Expression of Interest, etc), it will be carried out in accordance with relevant procurement legislation.

3.6 Procure

Step 6 is the point at which the DNO formally issues notice to launch a procurement exercise for a DSO Service. It is expected that the requirement is advertised in accordance with relevant procurement legislation (including duration), and for a time commensurate with both the network need and for potential providers to be able to prepare a suitable tender.

To date, there are different approaches in how DNOs procure services, including tenders, auctions and (where allowed by legislation) framework contracts provided without tender. Procurement can involve a Pre-Qualification stage where providers are assessed against set criteria (to determine their ability to deliver the service) and shortlisted prior to submitting their bid. This is an important stage for provision of DSO Services, as it is important to have confidence in providers' ability to meet the specific technical capabilities the service requires.

Learning and 'good practice'

Experience in completing the procurement is still limited across DNOs - therefore, learning and 'good practice' is evolving at present.

Based on experience to date, ensuring potential providers sign up to framework agreements prior to receiving bids avoids significant contract re-work and negotiation. Negotiation is generally encouraged by DNOs, but within legislative and practicable limits.

Auctions require more standardisation, making the process more transparent and simplified. However, over-simplification then also limits the scope for customising offerings, creating potential challenges to those wanting to enter the market. Those DNOs seeking to use auctions to procure should continue to find the right balance between making the process simple enough for providers to participate in and allowing some flexibility in the service provision to encourage market uptake.

DNOs have found that the pre-qualification requirements of some procurement approaches can inadvertently exclude certain (smaller) potential providers. For example, by being relatively onerous or with a high cost to achieve the required accreditation. These terms are being considered in the development of common commercial arrangements in Product 4 and other routes should be explored to provide equivalent access to these groups.

To date, customers have suggested that more confidence in earnings and longevity of requirements is needed for framework contracts. A lack of readily-available market information to guide them in valuing tender submissions has generated some negative feedback from customers, as has the lack of potential to negotiate. Available market information should improve as procurement experience is accumulated, and it will be important for DNOs to balance provision of information that helps potential providers, with maintaining the ability for competitive procurement to put downward pressure on prices. Some DNOs have been taking an approach of fixing prices for flexibility services to give certainty to the market as an alternative to running auctions. **DNOs need to assess through experience the relative merits of the different approaches to procurement to understand good practice.**

DNOs are evolving their approach to pricing services as experience develops. NGENSO has noted that its Procurement Guidelines outline the different procurement approaches it takes, based on the level of potential provision a service might attract. Whilst the nature of DSO Services is more locational, experience gained through procurement events is guiding the evolution of pricing approaches and this, coupled with a consistent approach to contracting, should promote accessibility of services to potential providers.

3.7 Remaining Process Steps: 'Operate' and 'Other non-flexibility solutions'

The last two steps in the process represent (a) the conclusion of a successful DSO Service procurement exercise, where the network is operated on the basis of the DSO Service being available in accordance with its relevant contract terms; and (b) the default position the DNO will pursue if a DSO Service turns out not to be the most cost-effective solution.

Detail associated with the 'Operate' stage of the process is being developed elsewhere within Open Networks and will be published in due course.

Appendix 1: New Service Development

This process will be followed by DNOs in the event that they face a network need that existing DSO Services are unable to meet. It sets out the steps DNOs will take to develop new DSO Services, prior to then following the procurement process in the main body of this document to buy them to satisfy specific requirements:

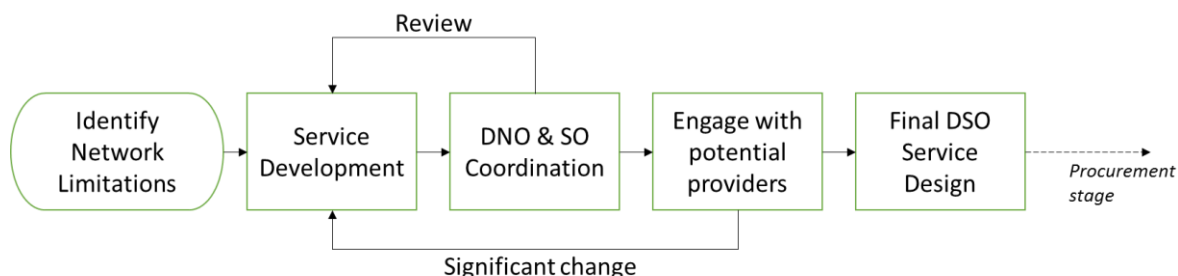


Figure 2: Flow Chart for DSO Service Definition Process

1 Process for New DSO Service Development

1.1 Identify Network Limitations

The first step in the development of a new flexibility service is to understand the network constraint that needs to be addressed. This ensures that the right characteristics are defined for the service to manage the constraint.

Each DNO undertakes assessments on network load forecasts to identify areas of the network where load is forecast to breach firm limits within a pre-defined period. As each DNO undertakes its own assessments, the methodology for providing these estimates can vary. As such, the inputs for this step and frequency of these assessments vary across companies. Assessments are internal, designed to identify future network needs, and therefore this step does not involve any external or stakeholder engagement.

Once specific sites are identified, each DNO undertakes further assessments to identify the technical requirements to manage the constraint.

Learning and 'good practice'

DNOs will work towards using standardised forms or templates where appropriate to communicate the network requirement and specific nature of the constraint, as highlighted in Appendix 2. This supports consistency in approach, transparency and creates a clear auditable process.

Multiple DNOs note the need to collect detailed information on the network requirements to ensure that the service developed is as useful as possible. To enable more up-to-date information to support procurement, the frequency with which this information is reassessed should be monitored.

Consideration should be given to the level of consistency and transparency delivered in this step, to give confidence in the collective approaches taken by DNOs; for example, regarding:

- Time periods used to identify where network limitations manifest themselves; and
- Frequency of all DNO assessments undertaken (e.g. yearly, half yearly, quarterly, monthly).

1.2 Service Development

Step two takes the required distribution network capabilities and forms an initial view of the characteristics a new DSO Service would need to have, in order to meet the identified network need. To augment that initial view, two review steps follow this stage of the process: one to account for any

required DNO and SO coordination, and one to account for feedback and suggested improvements/developments from potential providers of the service.

The detailed network requirements produced in step one are used as inputs to develop a set of service requirements, or suite of services. All DNOs start with the network requirement (e.g. capacity requirement and location), but some design the service parameters specifically to support market participation (which should facilitate step four of this process), rather than taking a wholly internal approach at this step.

Some DNOs take a 'bottom-up' approach, involving stakeholder engagement in service and contract design, focusing on accessibility for customers and 'stackable' benefits to encourage market development. The inputs for this are led by stakeholder consultation, with checks to ensure that the service provides network benefits. Others take a 'top-down' approach, focusing on network need and integration in the first instance, before applying a customer lens; reviewing the customer experience afterwards.

Depending on the approach taken above, DNOs engage with potential providers through a range of methods including consultation, stakeholder events, and engagement via related innovation and community engagement projects.

The outputs from this step are the development of clear operating conditions for the service. Various parameters are detailed including service windows for when the constraint would need to be managed (e.g. annual, monthly, daily or even hourly requirements), how it would be managed (e.g. whether pre- or post-fault), response times, duration and other technical terms. Information provided appears to be broadly consistent across DNOs.

Finally, each DNO uses a similar approach for assessing ceiling costs for the services. Costs tend to be based on the technical and commercial conditions developed for each service, benchmarked against the costs of carrying out non-flexibility solutions to manage the same constraint.

Learning and 'good practice'

Stakeholder engagement at this stage helps define DSO Services in terms of how they will be delivered but also how they will be named when promoted or published. This should assist subsequent discussions with NGENSO and the broader provider community. Feedback to date suggests that grouping services into defined categories has helped to convey the nature of the network constraint and requirements. This should be adopted where possible, with consideration for terms used to categorise to maximise understanding amongst potential providers.

Based on experience to date, a compromise is required between encouraging participation, ensuring incentives for providers to deliver, and designing to meet network needs. Finding the right balance can be extremely challenging. It is critical that DNOs continue to develop services that minimise barriers to market development and provide value to potential providers. However, DNOs also need to ensure that in doing so, they do not inadvertently undermine the potential longer-term benefits to the network and value for customers' (DUoS) money. Whilst it is important to ensure services are as accessible as possible to facilitate service stacking to support providers' business cases, meeting network needs is the primary aim.

Consideration should be given to sharing the results of this stage of the process with the wider DNO community. Whilst it might be the case that DNOs develop services to meet their own specific needs, sharing those services is likely to be of benefit to other DNOs going through similar processes.

DNOs are considering adopting consistent description of DSO Services and this will be progressed further in Workstream 1A. For example, the four standard DSO MW services developed in Open Networks 2018 are the foundation of several DNOs' flexibility procurement activities, but DNOs currently adopt unique branding, which could be confusing for potential providers

who operate across DNO areas. A consistent approach to the naming of services could aid their understanding and participation.

1.3 DNO and NGENSO Coordination

The third step in the process seeks to understand whether there is a need for, or a potential benefit from, greater coordination with NGENSO on either the development, or procurement of, the new DSO service. There is a reciprocal requirement for NGENSO to engage with DSOs to explore the potential for synergies with DSO services; and to ensure that the potential impact of its procurement activities on distribution networks can be understood. It is not expected that this step be required in all events, for example where DNOs are considering a small service requirement to address local needs. By assessing the mutual impact of activities, it should be possible to make any necessary adjustments to the design of the DSO services and plan to manage potential impacts.

Given the nascent nature of many DSO service procurement activities, the majority of the DNOs have yet to engage explicitly with NGENSO to co-ordinate or co-design their flexibility services. However, most have made efforts to raise awareness of new services when appropriate. Additionally, NGENSO recently worked with a DNO to devise a process for coordinated services development, which seeks to ensure DSOs and NGENSO cooperate at key points in the service development cycle to ensure that the mutual impact of their activities can be better understood.

Some DNOs have taken initial steps to invite the ESO to 'launch' events or bilateral meetings to raise awareness of services, and to support potential service providers as they develop their understanding of the implications of service provision. As the market is still developing, there is not yet a standard approach for this.

Learning and 'good practice'

DNOs and NGENSO should continue to follow the approach set out in the coordinated services development process, so that the risk of adverse impacts on each other can be minimised. DNOs should also consider co-ordination with the SO for release of requirements wherever practically possible (without service window or system requirement conflicts). Experience suggests that doing so can increase participation in procurement events.

Stakeholder feedback from the Open Networks Advisory Group reinforces the view of the importance of consistent contract terms for service provision. They note that national standardisation of terms would make engagement easier and that, without standardisation, there is a risk that the resource requirements to engage in service provision could be too high. Note that **Open networks is pursuing this aim through its 2019 Work Stream 1A, Product 4.**

1.4 Engage with Potential Providers

Step four is where the initial view of the required flexibility service, having considered cross-distribution/transmission interactions where necessary, is shared with potential service providers. The aim here is to understand the extent to which those potential providers are able to engage with the service and to understand whether there are refinements that could be made to the service. This is so that, in meeting the needs of the DNO, they are more readily deliverable by the broadest possible range of providers. Note that the intention here is not to favour specific technologies, but to ensure the service is structured in such a way as to maximise participation. Feedback that requires changes to the proposed service would be fed back into step two.

The majority of DNOs use a range of methods to approach potential providers. These approaches use a combination of own-website information, stakeholder events and consultations; and also, the possibility of using other websites such as specific procurement or flexibility platforms. These have been augmented with more targeted engagement, such as bilateral meetings, direct email, forums and webinars with those who have registered interest.

This broad engagement raises awareness and opens routes to a wide range of potential providers, aggregators and industry bodies. It also provides opportunities for establishing a customer base for future contact. Targeted communication enables DNOs to engage potential providers that are new and possibly unaware of the market, to aid understanding of what they could offer and how they could engage with the DNO. Based on experience to date, feedback at this stage was used to adjust and tailor service parameters or documentation, such as contracts, by some DNOs.

The outputs of this step tend to be either:

- a confirmation that the service developed is sufficient to attract interest from potential providers;
- revised contractual terms (such as liabilities, warranties or payment structure); or
- proposals to revise parameters in line with feedback (for example, consideration of timing of procurement in advance of service implementation).

Learning and 'good practice'

All DNOs agreed that engagement with stakeholders was valuable to ensure decisions made regarding service requirements are justified, though it was acknowledged that the process could be resource intensive. It was noted that such engagement has already delivered meaningful developments to DSO Services.

Existing procurement methods or systems can be useful for accessing a broad range of potential providers. However, some DNOs noted they can also be overly-rigid, excluding smaller developers, local authorities, Local Enterprise Partnerships and community groups. This reinforces the importance of flexing the approach to engagement, to accommodate smaller participants.

Flexibility platforms are useful visualisation and engagement tools; however, it is important to note that the potential customer base for service provision can be wider than what these platforms offer.

Therefore, DNOs will seek to augment this approach with use of other methods to maximise engagement with potential providers.

1.5 Final DSO Service Design

The fifth step delivers the final DSO service design. The service design considers minimum parameters to meet the network needs, but also how those parameters translate to commercial obligations on the provider. As DNOs develop the final service design, they also identify any potential flexibility in the network parameters and use this to set qualification criteria, or steer how the service is procured. For example, the need may be met entirely by one provider, or by multiple providers, whose assets are aggregated to provide the same level of service or security. The opportunity to tailor services in terms of volume, location or timing will depend entirely on the nature of the service requirement and the minimum network threshold.

Service development considers any interactions with NGENSO, and the review and feedback of potential service providers.

This stage marks the completion of the process to develop a new DSO service, which can now form an input into the procurement stage of the overall process.

Learning and 'good practice'

DNOs will consider sharing the results of their service development work with each other, so that others can learn from them when developing their own services. Service designs and associated contract terms should be made publicly available as much as possible. As previously noted, consistent terms and conditions would benefit potential providers - further work on this is being undertaken within Open Networks during 2019.

Appendix 2: Data made available to Stakeholders during procurement

When exploring routes to market for DSO Services procurement, the DSO should make available information that will provide individual market participants with sufficient detail as to whether they are both eligible and it is worthwhile for them to participate in the procurement event. This information can be made available publicly through multiple routes, including individual DNO websites, and third-party sites (noting that the data that can be published is generally a function of the capabilities of such third-party sites).

As an indication of the scope of this information, the following data is generally made publicly available by DNOs in a standard template:

Table 1: DSO Service Procurement data Items

	Description
Area Ref	The unique identifier for the target procurement area.
Area Name	The descriptive name given to the target procurement area.
Max Connection Voltage	The maximum voltage level at which potential flexibility providers can be connected to the network to satisfy the need (kV).
Need Type	The reason for the flexibility requirement (for example 'reinforcement deferral').
Need Direction	The required form of flexibility (for example 'generation turn-up; generation turn-down').
Postcode	A set of postcode sectors comprising the feeding area (to be used to set the bounding area for the service if co-ordinates not provided). A postcode sector comprises the following: Postcode = 'EC3 8AB' Postcode sector = 'EC3 8'
Contact	The email address [within the DNO] that can receive communications from people in regard to questions they might have around this area.
Registration of Interest/ Pre-Qualification Close	Date and time by which an asset must be registered to be eligible for the auction.
Bidding Start	Date and time at which bidding opens for the auction.
Bidding End	Date and time at which bidding closes for the auction.
Bid Type	Mechanism by which bids are received for this auction.
Minimum participation size	Minimum size of participation that a DNO will allow, note this is the amount of flexibility as opposed to the size of the asset itself.
Date/time when service is required	Gives the market participant sufficient knowledge as to if they could provide the service.
Size of flexibility requirement	How much flexibility the DNO is looking for at each location and time.

Note that the above information should be provided for the immediate requirement and, where possible, similar information should be made available for future procurement rounds. This should provide a helpful signpost, allowing market participants to gauge how a requirement may change at a location over time.