

Energy Networks Association

Open Networks Project

Workstream 1A product 2: Existing Approach to Procurement

Product Background

This product is a continuation of 2019 WS1A P2 that defined high level good practice for procurement of flexibility services to meet DSO requirements. This product will build on this further, recognising that as DNOs are gaining more experience in procuring flexibility services, there is a need to revisit good practice and reflect these learning's as well as provide further detail in areas where further capability has been developed.

Future product deliverable

- Agreed implementation timescales for assessing tenders for all DNOs with common criteria – **June 2020**
- Report outlining detailed good practice for DNOs to adopt on alignment of end to end tender process; Reasoning for not converging on any elements and timescales for reconsidering alignment on them- **December 2020**

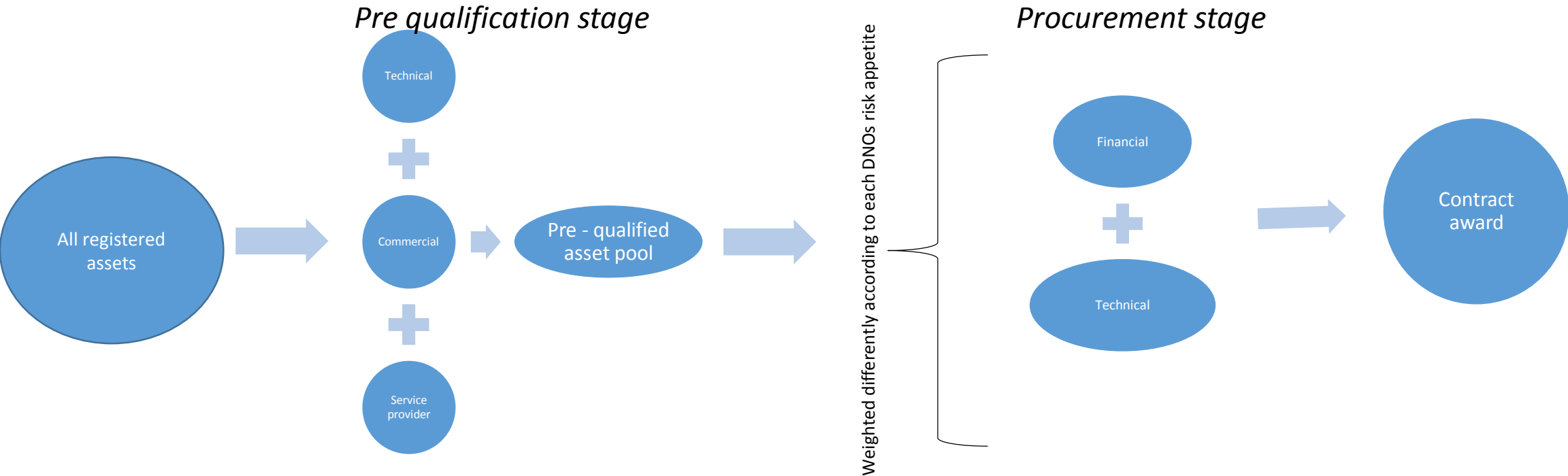
Slide deck objective

- The objective of this slide deck is to highlight existing practice across the six DNOs in how flexibility is currently procured from service providers.
- Approaches at both the pre-procurement and procurement stages are examined, highlighting areas of consistency as well as areas that require further work to converge.

Summary

- As this is the first year that all DNOs are participating in the delivery of flexibility services, there are a range of approaches that have been adopted in how services are procured.
- That being said, most DNOs follow the same gateway process of pre-qualifying assets based on a range of criteria and then assessing each of the qualified providers based on commercial and technical parameters.
- Due to DNOs being at different stages in the implementation of flexibility services in their business, each of different levels of systems and resource capability which presents a challenge for driving complete consistency across DNOs.
- All DNOs have implemented findings from the 2018 and 2019 WS1a P2, creating a foundation of consistency across the approach to procurement.

Procurement process



This product looks at each of the individual processes within the end to end procurement system. These can be categorised by;

Pre procurement

- Gateway process to ensure participating assets are of a minimum standard.

Procurement

- Processes in which assets compete with each other based on a number of different parameters

Award of contract

- Award of a contract based on the outcome of the procurement stage.

Pre qualification criteria

	NPg	WPD	ENWL	UKPN	SSEN	SPEN
Minimum metering granularity	Half hourly	Minute by minute	Half hourly	Minute-by-minute	Half hourly	Minute by minute
Response time	5 minutes (restore)	15 minutes (secure/dynamic) 0-15 minutes (restore)	3 minutes (restore) 15 minutes (sustain)	30 mins (secure) Scheduled dispatch (sustain)	30 minutes (secure)	3 minutes (secure)
Minimum run time	30 minutes	1 hour	30 minutes	30 minutes	30 minutes	1-3 hours (flex product dependent)
Voltage level	At or below constraint & within boundary					
Flexible MW (note not asset size)	0.1	0	0.05	EHV/HV - 0.05 (can be aggregated) LV - 0.01 (can be aggregated)	0.05	0.05 (EHV)
Terms and conditions	Acceptance					
Procurement of non-energised assets Must be energised _____	before contract signed	before operating window	2 months before operating window	and tested 1 month prior to service operating window.	and tested 1 month prior to service operating window.	1 month prior to service window
Other commitments		1. Commitments to build API 2. Acceptance of fixed price/market price				

Conclusions from existing approaches to pre qualification

- 5/6 DNOs have clear and distinct pre-procurement stage
- Of these five DNOs, all require respondents to answer questions on a similar theme. These are then assessed on a pass/fail basis with successful respondents progressing to the procurement stage.
- Differences in pre-procurement requirements exist due to varying capabilities of DNO's to deliver flexibility services.to deliver capabilities to manage the technical change.
- *Areas of broad similarity across DNOs centred around;*
 - minimum asset run time – this was a minimum requirement as set out in 2018 WS1 P2.
 - All DNOs require DNOs to accept terms and conditions without amendments. This will be converged further as the outputs of WS1a P4 are implemented across DNOs and ESOs.
- *Areas of broad difference across DNOs centred around;*
 - when an asset must be energised relative to the operating window commencing
 - minimum flexibility size
 - asset response time
 - Granularity of metering
- Some DNOs are bound by technical limitations as to the minimum standard expected from a provider (e.g. half hourly vs minute by minute metering)
- Where relevant, all DNOs have adhered to the flexibility product requirements as set out in 2018 WS1P2

Procurement weighting criteria

- At present, DNOs are able to apply their own weightings to pre-qualified assets in order to determine what assets are awarded final contracts
- Financial and technical parameters are weighted based on a factors including individual to each business, including; appetite to risk and the number of procurement rounds that have already ran by that DNO.
- All DNOs currently conform to ‘Our six steps for delivering flexibility services’ published by the ENA in 2019 by publishing their weightings prior to procurement and reporting against these

	NPg	WPD	ENWL	UKPN	SSEN	SPEN
Financial	100%		60%	100%	30%	30%
Technical		100%	40%		70%	70%

Technical interpretations

ENWL - Provides a suitable solution within the required network location, no service conflicts, does not cause network issues during recovery period.

SSEN - management approach, health and safety, environmental, technical, information security

WPD - assumes that the provider accepts either the fixed price or the competitively sought market price

Conclusions from existing approaches procurement weightings

- Currently DNOs adopt financial, technical or a combination of both parameters in order to assess qualified bids in the procurement round. Each companies approach to how the weightings are configured is dependent on their own appetite to risk.
- The technical parameters include;
 - Provides a suitable solution within the required network location
 - no service conflicts
 - does not cause network issues during recovery
 - management approach
 - health and safety/environmental
 - information security
- The financial element incorporates the most competitive price the provider is willing to be paid for providing the flexibility service – either on a £/MWh (energy) or £/MW/hour (power) basis – dependent on the type of flexibility product.
- One DNO administers either a fixed price or competitively sought market price (pay as clear) which the provider can choose to either accept or not receive a contract – this is dictated by the number of providers that are available to bid.

Engagement

<i>Stakeholder engagement</i>	<i>Specific question</i>		<i>NPg</i>	<i>WPD</i>	<i>ENWL</i>	<i>UKPN</i>	<i>SSEN</i>	<i>SPEN</i>
Stakeholder engagement	How do DNOs communicate the network requirement?	Own website	✓	✓	✓	✓	✓	✓
		Industry conferences	✓	✓	✓	✓		✓
		Dedicated external events	✓	✓	✓	✓		
		Webinars	✓	✓				✓
		Newsletter		✓	✓	✓		
		Direct engagement with assets at location	✓		✓	✓		
		Other		Piclo, LEM		Piclo		Piclo
Timing	How often, what are the timings of the tender/auction?	Adhoc	✓				✓	
		Two location releases per year		✓	✓	✓		✓
	Time between network information published and procurement		>3 months	>3months	>3 months	4/6 months	>3 months	2/5 months
Tenders	How do providers, register and prequalify?	In-house procurement tool	In house tool			Piclo	In house tool	Piclo

Conclusions from existing approaches to engagement

- All DNOs undertake similar forms of engagement, utilising multiple channels to communicate with broadest range of stakeholders as possible.
- A range of methods are used including; digital communications, stakeholder engagement events, industry conferences and utilisation of 3rd parties (e.g. Piclo).
- *Areas of broad similarity across DNOs centred around;*
 - All DNOs use their own website to publish flexibility requirements and timelines.
 - All DNOs give sufficient time between publication of network requirements and the tender/auction.
 - Most DNOs use a range of dedicated external events as well as industry conferences.
- *Areas of broad difference across DNOs centred around;*
 - The timings in which DNOs release network requirements range from ad-hoc to biannual