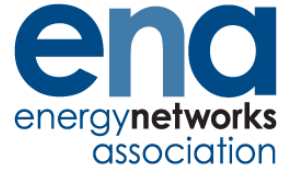


# Energy Networks Association

## WS1a P2 – Consultation

July 2020

# Background



Company	Representative
Northern Powergrid	Andrew McKenna
Electricity North West	Lois Clark
Western Power Distribution	Helen Sawdon
UK Power Networks	Stathis Mokkas
SSE Networks	Alex Howison
Scottish Power Energy Networks	Guy Shapland
National Grid ESO	Dave Spencer

- WS1a P2 is a follow on product from 2018, with the aim of providing greater consistency across the procurement process of flexibility services.
- This slide deck presents a number of proposals that, pending steer from the steering group, will be consulted on in the upcoming consultation.
- The product team have developed this proposal with input from both the ONP Advisory Group as well a select group of stakeholders in the flexibility market via a webinar.

### **Decision making criteria for assessment of tender submission**

As committed in our response to the Ofgem and BEIS Open Letter, a review will be undertaken on the existing processes for the assessment and selection of flexibility assets. This element will provide clarity on how this is currently done and will undertake a gap analysis to determine a plan for alignment.

- Continue 2019 work to review existing processes and analyse where differences are. **March 2020 - COMPLETE**
- Take forward analysis and develop plan for the development of a common decision making criteria for the assessing and awarding tenders. **June 2020**

### **Alignment on end to end tender process**

This product will review current approaches being adopted by DNOs and ESO in the end to end tender process and will deliver further alignment through good practice in areas where it is considered valuable.

Where alignment is not considered value adding to meet the needs of local stakeholders or the needs of the network at this point in time, this will be documented by the product, outlining if/when alignment in the future could be developed. We expect that any future work will be identified with a clear owner to progress development to ensure it has the appropriate governance.

- Review existing approaches across all the process steps and undertake gap analysis. **July 2020**
- Develop aligned processes for the end to end processes. **October 2020**
- Agree implementation timescales with DNOs. **December 2020**

As per the PID deliverables, the product team have been focused on driving convergence across two elements of the procurement cycle; the weightings which are used to award flexibility contracts and the milestones within the end to end timeline. Note that the definition of indemnity clauses (and other t&cs) are being progressed under WS1aP4.

### **Procurement weightings**

At present, network operators use different criteria when assessing and awarding flexibility contracts. The product team have proposed a four-point assessment criteria that will allow the fair and consistent assessment of assets and company prior to awarding contracts for flexibility services.

### **Procurement timeline**

The timing of deliverables within the end to end procurement process from signposting network information through to tendering and utilising flexibility differs widely across network operators partly due to operational differences within each company as well as the networks underlying requirement for flexibility. The product team have proposed a timeline that will guide network operators in their procurement cycle, giving stakeholders increased visibility for key milestones within the process. Note that this timeline is for the procurement of flexibility applicable to the deferral of network reinforcement only.

# Current Procurement weightings

- Currently, all DNOs largely carry out assessments at different stages in the procurement cycle to ensure both the company is of good standing and the DER has the minimum technical capability to provide the service being procured.
- For assets that have passed this assessment, DNOs currently use a range of weightings to assess and subsequently award bids – see figure 1.
- This proposal lands on a common approach across DNOs of how bids are assessed at both the pre-procurement and procurement stage.

Procurement weighting	Other*	100	90	80	70	60	50	40	30	20	10	0
	Cost	0	10	20	30	40	50	60	70	80	90	100
<b>Network Operator</b>												
NPg												✓
WPD												✓
UKPN												✓
SSEN				✓								
SPEN								✓				
ENWL					✓							
NIE												
ESO (FR, STOR)												✓

**Figure 1 - Current procurement criteria for assessing flexibility bids**

\*Other includes; service conflicts, recovery issues, company management approach, company health & safety policy, IT policy, contract deviations and environmental impact of asset.

# Assessment criteria

It is proposed that all DNOs will undertake 4 key stages when assessing flexibility operators and the asset that will be used to provide the service.

Stage		Scoring criteria	Parameters (all visible to the market prior to tender round )
1	PQQ commercial assessment	Pass/fail	See following slide
2	PQQ technical assessment	Pass/fail	Meet the criteria of flex product parameters as set out in WS1aP3 (min capacity, location (geographic and voltage), G59, G99 compliance, run times, ramp up times, communication system, metering).
3	Procurement commercial score	70%	Assessment of price of bid
4	Procurement technical score (relevant to assess value add above minimum product criteria set out in W1a P3)	30%	Does not cause with any other issues on the network
			Conflicts with other services being provided
			Effectiveness in alleviating the constraint
			Ramp rates of the asset (assuming they meet the minimum product criteria as set out in P3).
			Energised status of asset
			Type of connection (flexible/firm)
Type of metering (assuming that minimum is met)			

**Within the past five years, anywhere in the world, have you, your organisation or any person who has powers of representation, decision or control in the organisation been convicted of any of the offences:**

- Participation in a criminal organisation
- Fraud
- Terrorist offences
- Money laundering/terrorist financing
- Child labour
- Any other offence within the meaning of Article 57(1) of the Directive as defined by the law of any jurisdiction outside England, Wales or Northern Ireland
- Any other offence within the meaning of Article 57(1) of the Directive created after 26th February 2015 in England, Wales or Northern Ireland

**Within the past three years, anywhere in the world, have any of the following situations applied to you or your organisation?**

- Breach of environmental obligations
- Breach of social obligations
- Breach of labour law obligations
- Bankrupt
- Guilty of grave professional misconduct
- Distortion of competition
- Aware of any conflict of interest
- Early termination of a previous contract
- Guilty of serious misrepresentation

**Sound financial position**

- Using credit safe, achieving a score of 30 or above.
- Where bidders score 29 or under, further checks will be carried out and excluded from the process should any material concerns arise.

# Proposed procurement timeline

- It is proposed that these four assessment stages are carried out consistency across network operators as they procure flexibility services.
- It is proposed that DNOs have a maximum of two structured procurement cycles per year. This ensures balance between ensuring that as network flexibility requirements arise they are communicated to the market as quickly as possible and overloading the market place with excessive procurement rounds.

Each of the procurement cycles will have the following key milestones;

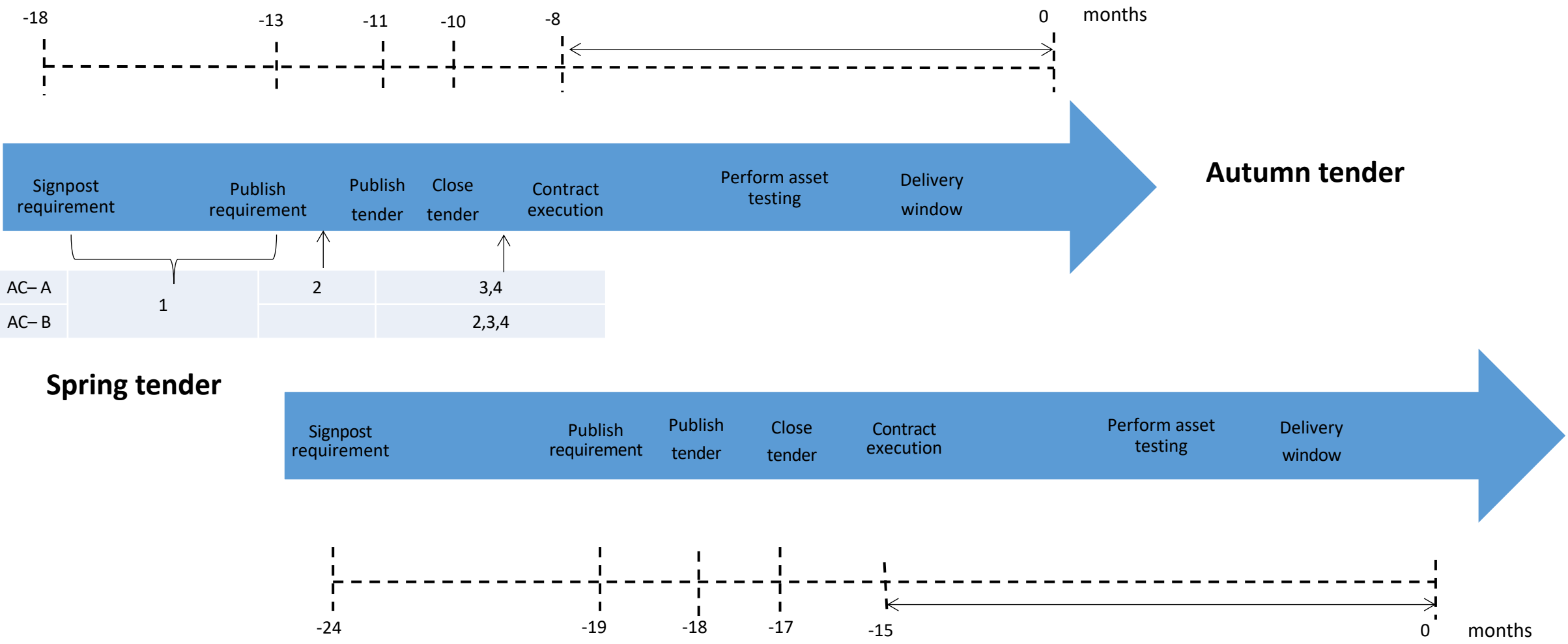
1. **Signposting of requirements** – DNOs publish network information highlighting areas where flexibility could arise in the near future. This milestone is a good practice guideline as although every effort is made to provide network visibility as far in advance as possible, it may not be possible for all network constraints.
2. **Publish firm requirements** –DNOs publish full network requirement, including the type of flexibility product that is set to be procured and the expected service delivery window.
3. **Publish tender/open procurement window** – Invite flexibility providers to formally bid in the procurement window/take part of auction.
4. **Close tender/procurement window** – Close opportunity for providers to bid/take part in auction.
5. **Contract execution** – Agreement of terms between contracting parties.
6. **Asset testing** – DNO/flexibility provider test asset as per flexibility product/contractual requirements.
7. **Delivery window** – Flexibility provider is in a position to provide DNO with services.



# Assessment criteria within procurement timeline

- On the timeline, we present Assessment Criteria options A and B that outline two different approaches as to when the assessment criteria are applied during the procurement cycle.
- Assessment Criteria A (ACA)
  - Stage 1 carried out at any time prior to stage 2
  - Stage 2 carried out prior to publication of tender
  - Stage 3 & 4 carried out after close of tender
- Assessment Criteria B (ACB)
  - Stage 1 carried out at any time prior to stage 2
  - Stage 2,3 &4 carried out after close of tender

# Proposed procurement timeline



- It is proposed that all DNOs will look to implement outputs of this product as soon as practically possible.
- As the depth of the flexibility market varies widely across the country, a barrier to unilateral implementation of the consistent weighting criteria is lack of sufficient market liquidity at specific locations.
- Although it will be expected that DNOs will implement this common methodology, if evidence suggests that lack of market liquidity would prove this to be an inefficient option, existing procurement criteria may be used.
- It is expected that as market develops, this will diminish the need for discrepancy across network operators due to lack of market liquidity.