

Open Networks

WS1A P2 – Procurement coordination implementation

December 2020

Background

Company	Representative
Northern Powergrid	John Leighton
Electricity North West	Lois Clark
Western Power Distribution	Helen Sawdon
UK Power Networks	Evangelos Karagiannis
SSE Networks	Alex Howison
Scottish Power Energy Networks	Guy Shapland
National Grid ESO	David Spencer

- WS1a P2 is a follow on product from 2019, with the aim of providing greater consistency across the procurement process of flexibility services.
- Following the industry consultation that was undertaken in July – Sep 2020 this report is an update on the work to provide greater consistency and to develop good procurement practices based on the feedback from the consultation.
- In addition, this report will outline the actions taken and the processes that have already been implemented in 2020 and it will provide recommendations for further work in 2021.

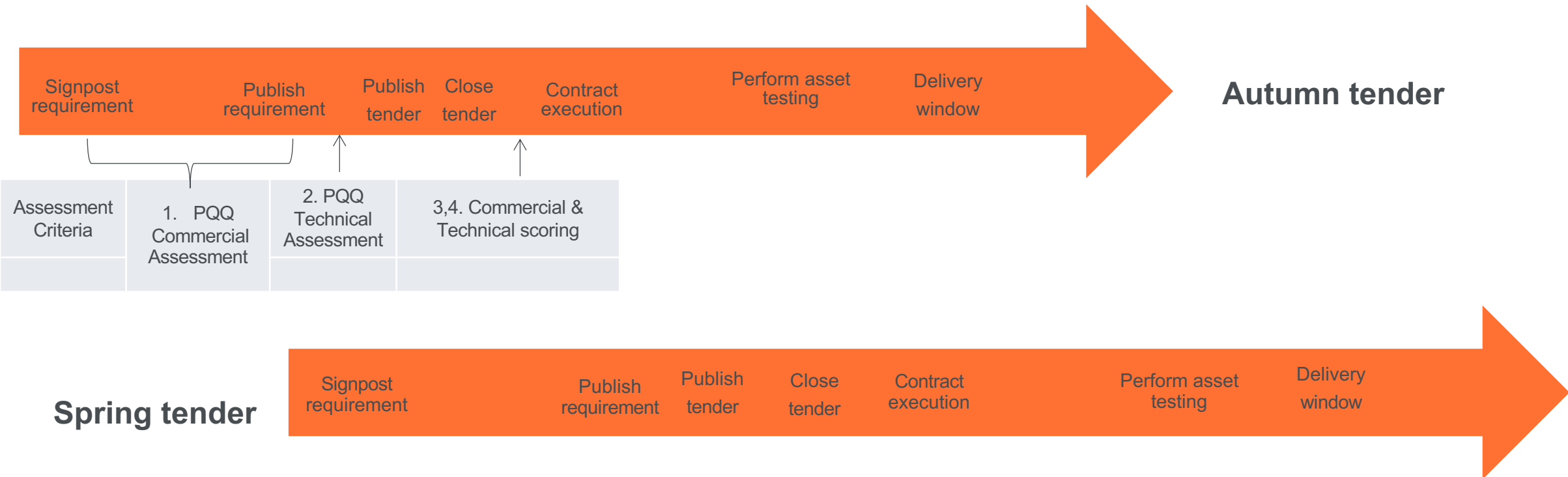
Key Focus

In 2020 the P2 team considered the opportunities for alignment and good practice through the procurement lifecycle including the process and evaluation of tenders. In the industry consultation a proposed timeline was published and specific questions were asked about the timing of the PQQ technical assessment and the alignment of timing of procurements on a cycle of two procurements per year.

The DNOs have aligned on the inclusion of 4 key stages when assessing flexibility operators and the asset that will be used to provide the flexibility service. These are the PQQ commercial assessment, the PQQ technical assessment, the procurement commercial score and the procurement technical score. The alignment of other key procurement milestones are shown in the timeline on the following slide. Note that this timeline is for the procurement of flexibility applicable to the deferral of network reinforcement only.

The industry responses to the consultation questions reflected a general agreement that the timing of the PQQ technical assessment should be prior to the opening of the bidding window. There was also broad agreement with the timing and number of procurement cycles within the year which is an approach that reflects the current level of development of DSO flexibility markets. It was noted, however, that there is a general view that there is a longer term requirement that DNOs should look to develop both real-time and long-term procurement capabilities.

Proposed Procurement timeline



Assessment Criteria

The 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	Meet the minimum requirements regarding including corporate regulatory obligations, legal offences, creditworthiness, conflicts of interest etc (to be agreed)
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)		

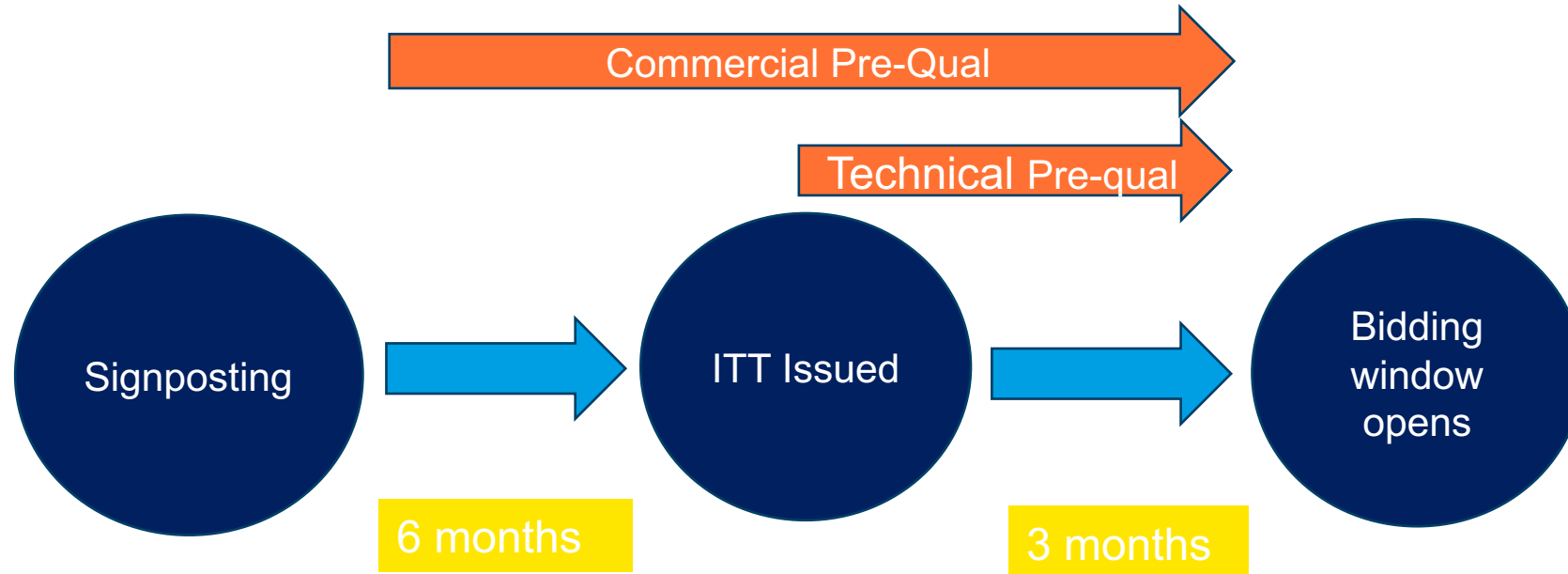
Procurement milestones

The DNOs will have a maximum of two structured procurement cycles per year. This gives a balance between ensuring that as network flexibility requirements arise they are communicated to the market as quickly as possible against 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.

Aligned Procurement timescales



Following the consultation the procurement timescales have been modified as above to address the responses where 1) information is to be provided as early as possible with clear requirements and 2) that there should be a minimum of 3 months between issuing the ITT and the opening of the bidding window.

However, in some instances constraints may require shorter procurement timescales as a reaction to network issues. This is facilitated by the use of DPS systems and pre-qualification processes which alleviates the burden of tender participation.

Progress in 2020

- Within 2020, all DNO's have adopted the use of Dynamic Purchasing Systems, which utilise both company and technical pre-qualifications.
- As a direct response to the stakeholder consultation all DNO assessments will be in line with Option A (slide 4) which means that assets are pre-qualified prior to the opening of the bidding window.

DNO	Pre-Qualify Y/N	Company PQ	Asset PQ
ENWL	Yes	DPS - Piclo	Tender
NPg	Yes	DPS - Own	Tender
SSEN	Yes	DPS - Own	Tender
SPEN	Yes	DPS - Piclo	Tender
UKPN	Yes	DPS - Piclo	Tender
WPD	Yes	DPS - Own	Tender

Consultation Feedback

You Said	In 2020, we have /we are	In 2021, we will
<p>General agreement for PQQ before publishing the tender and the two procurement cycles.</p>	<p>All DNOs have now implemented Option A and are undertaking prequalification before bidding window opens.</p>	<p>In 2020, all DNOs have aligned on timing and in 2021, we will look at DNO and ESO alignment on timelines for procurement. In 2022, we will further develop standardisation on the prequalification process and look to remove barriers.</p>
<p>Information to be provided as early as possible to have clear requirements.</p>	<p>In most cases, DNOs signpost requirements with as much notice as possible (6 months) but it may not always be practical to do this due to assessment required to identify these requirements. <i>* DNOs need to retain the flexibility to release tenders at shorter notice where a specific need has been identified for system requirements.</i></p>	<p>Increase ease of access to participate in tenders which will reduce the burden for where shorter notice is given.</p>
<p>Bids should be evaluated on a level playing field in a technology agnostic way</p>	<p>DNOs take a technology agnostic approach in evaluating tenders and will undertake further work in 2021 to revisit the assessment criteria.</p>	<p>In 2022, update ITT assessment criteria to be more technology agnostic.</p>
<p>DNOs should develop a dynamic market model that supports both real-time and long-term procurement capabilities</p>	<p>We have developed timelines that are reflective of a growing nascent market and will continue to work with stakeholders to make improvements.</p>	<p>Explore both long-term and real-time procurement (real-time procurement to be considered in 2022)</p>
<p>Standard procurement windows would be beneficial and ensuring these do not clash with other market tendering timelines e.g. CM</p>	<p>The focus in 2020 has been on aligning frequency and windows for DNO tenders and ESO alignment will be looked at in 2021.</p>	<p>Deliver ESO DNO alignment on procurement processes, including timelines for tenders.</p>
<p>ESO/DSO procurement activities should be coordinated with one another</p>		

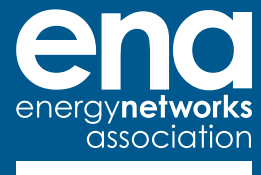
Recommendations for 2021 and 2022

In 2021, this product will focus on delivering further alignment between all DNO's and ESO processes and specifically the aspect below:

- Alignment of procurement timelines, including with the ESO – In 2020, DNOs consulted stakeholders on the benefits of converging on procurement windows. In 2021, these will be implemented and the group will build on this work to consider alignment with ESO procurement cycles. Where it is not possible to do so, this product will clearly capture the rationale.

In 2022, this product will continue its work on the PQQ process and ITT Assessment Criteria outlined below:

- Prequalification process and requirements - Based on work done in 2020, DNOs are now aligned on the use and timing stages of Pre-Qualification Questionnaires. Building on this work the product will undertake further work to deliver alignment on the prequalification requirements across both T & D and simplify them where possible.
- ITT Assessment Criteria – Refine assessment criteria identified in 2020 to make it more inclusive of all technologies (as per feedback from Jul 20 Consultation) and utilise the WS1A P1 Common Evaluation Methodology tool.



Energy Networks Association

4 More London Riverside

London SE1 2AU

t. +44 (0)20 7706 5100

 @EnergyNetworks

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