

Open Networks Challenge Group – 2023 Report

The Open Networks Challenge Group was established at the start of 2022 to improve the governance of - and stakeholder input into - Open Networks (ON). The Group comprises 20 members who are a mix of flexibility service providers (FSPs) and stakeholders with a broader customer or policy interest. The Group has had 5 formal meetings during the course of 2023 plus two shorter challenge group only sessions. We appreciate the time and effort the ON team, including Steering Group members, put into these meetings and the open approach to engagement.

In our 2022 report we highlighted the need for a clearer vision and direction for Open Networks and were able to help the ON team develop a vision based around creating a frictionless flexibility market and making it as easy and rewarding as possible for FSPs to participate, with a much stronger focus on outcomes rather than delivery of frameworks. For flexibility providers the key requirement around standardisation is that the individual networks adopt the standardised approach, requiring a real commitment from the networks themselves at a suitably senior level. We are pleased that throughout this year we have seen this spirit flow through in the discussions we have had and in the ON Success Framework. Inevitably there is more to do but we are hopeful that the commitment is there and that the nature of reporting (including through the DSO incentive) will help motivate individual DNOs to look to standardise (in the wider interests of the market) rather than to differentiate – except where there is a clear case for doing so.

The other significant development during the year has been Ofgem's review of local governance arrangements where they were initially sceptical about the value of Open Networks. We hope that the response the Challenge Group provided to the consultation and the direct feedback we provided, helped reassure Ofgem around the benefits of Open Networks. In particular we highlighted the need to avoid a hiatus, as well as encouraging Ofgem to reengage with the programme which we are pleased that they have now done.

From our discussions on individual strands of ON work there are some themes that have arisen that we would like to highlight:

- A continued emphasis on **governance and engagement**. We welcome the use of focus groups this year to allow more in-depth exploration on particular issues. However all flexibility providers have limited resources and ability to engage, even on topics that are quite fundamental. We therefore encourage ON to build on the approaches they have put in place this year including making more use of bilaterals and going out to wider stakeholder events, both to listen to stakeholder views and communicate key developments.
- With delivery of an **API** for dispatch remaining as one of the ongoing areas of focus for Open Networks we would stress the importance to flexibility providers of this work and, more generally, of standardising around APIs (but not necessarily platforms).
- A clearer ambition for **flexibility to be low carbon** in support of the UK's net zero goals (and individual networks' science-based targets). We continue to have concerns that the carbon reporting approach adopted undervalues the carbon benefits of storage and demand-side response. We would like to see a more strategic discussion in this space, including with DESNZ and Ofgem (eg to understand whether the networks' concerns about non-discrimination are valid).
- In our 2022 report we highlighted the important role of **innovation** in this space and said we would like to see greater emphasis on sharing learning and getting successful initiatives adopted quickly by other DNOs and treated as BAU. In our view this remains a challenge.
- Finally, we strongly support the ON goal to **remain agile** recognising the huge number of regulatory and policy issues that Ofgem and DESNZ are considering in this space, together with the establishment

of the FSO. The Challenge Group (and in particular the members who are not directly involved in flexibility markets) would welcome more strategic discussion on the potential impacts of these changes and on the wider role for flexibility (eg in supporting resilience and managing uncertainty)..

Conclusion

Overall, the Challenge Group recognises that good progress has been made over the year and there is strong support for the work of Open Networks to drive much greater alignment across the DNOs / ESO in order to increase flexibility market participation.

Obviously individual DNOs will be working to build and improve their DSO flexibility offerings, responding to feedback from their particular stakeholders. This drive to improve is welcome. However, within the spirit of Open Networks, we want to see DNOs also committed to sharing learning and adopting as far as possible a common approach - while not limiting progress to the pace of the slowest. We are confident that this message is now understood. The challenge is now on individual networks to put it into practice.

We have also reflected on how wider aspects of the ENA's work – in particular on data and digitalisation and on the strategic connections group – are inextricably linked with the work of Open Networks. We would encourage the ENA to look at how learnings from Open Networks around the importance of standardisation and the value of engagement, could be carried across into these other areas as well – and how to ensure effective co-ordination across these different programmes.

While it is vital that there is not a hiatus as new industry governance arrangements are put in place, there also needs to be a strong emphasis on ensuring alignment, as far as possible, with the Ofgem plans for both the new Distributed Flexibility Infrastructure platform as well as the Market Facilitator role, so that there is a seamless transition. Ofgem's emphasis on implementation monitoring as part of the Market Facilitator role is one example of an area that Open Networks should be looking to develop. More generally we hope that over the coming year Open Networks can help inform and be informed by these wider industry developments. As a Challenge Group we are keen to continue to play our role in helping them do that.

Maxine Frerk

Chair, Open Networks Challenge Group

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