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Energy Networks Association
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Piclo Response to Consultation on Future Worlds Impact Assessment

Thank you for the opportunity to respond to Energy Networks Association's consultation on the Future Worlds Impact Assessment.

Piclo develops software to make electricity grids smart, flexible and sustainable. Piclo is playing an integral role in supporting electricity networks' to better access and value flexibility resources, integrating low carbon technologies and reducing long-term network infrastructure costs for consumers. Piclo has been deeply involved with the UK energy transition across networks, generation and retail over the past 5 years, and operates Piclo Flex, a pan-UK DSO flexibility marketplace, in collaboration with all six distribution network operators.

Our response focuses on the Impact Assessment's assumptions and conclusions regarding the transition between Future World B and Future World E, and its assumptions regarding Transition Path 4.

World B vs World E

We agree with the Impact Assessment's conclusion that the least-cost and lowest-risk outcome in the short to medium term is to build on existing industry structures, relying on ESO/DSO coordination to manage flexibility requirements, as detailed in Transition Path 1. We also agree with the conclusion that a Flexibility Coordinator role, as described in World E, could result in more competitive and effective flexibility markets in the longer-term.

However, we disagree with the Impact Assessment's conclusion that World B and World E are mutually exclusive, and the assumptions regarding the transition pathway between these worlds. In contrast with all the other transition pathways, the Impact Assessment concludes that the transition to a Flexibility Coordinator in World E would require substantial short-term costs and large-scale industry change, negating some of the longer-term benefits of World E. Therefore the Impact Assessment further states that the transition to World E would be more cost-effective in the long-term, but would hurt the ability for electricity networks to help deliver increased renewable generation and flexible supply in the short term.

This conclusion is based on the assumption that World E requires a sudden and significant shift in industry structures and assumes the benefit of Flexibility Coordinators is solely in the creation of a single overarching system-wide role. For example, the Impact Assessment assumes that there would need to be a single Flexibility Coordinator from the start of the transition and the Flexibility Coordinator would need to be immediately making independent network reinforcement decisions. However, the role of Flexibility Coordinators could be taken gradually, building on the existing ESO/DSO industry coordination frameworks, and would increase the ability for the system to manage the growth of DERs and related flexibility challenges in the short to medium term. As well, there could be multiple flexibility coordinators in the medium term, and which could be rationalised in the long-term if there is a benefit to do so. Rather than harming the ability to manage electricity networks' challenges in the short to medium term, flexibility coordinators should be seen as facilitators that can help reduce the short and medium burden on ESO/DSOs.

For example, Piclo is currently delivering Piclo Flex, a market platform which provides a streamlined and digital process for DSO flexibility procurement. The Piclo Flex platform is increasing the amount of flexibility that DSOs are able to integrate onto their networks in the short-term. It is a single place for the six DSOs in the UK to source flexibility from the rapidly growing number of Flex Providers (including demand-response aggregators, electricity suppliers, generation operators, battery operators, I&C customers, local authorities, community groups and electric vehicle charging operators).

And, just as importantly, the role for Piclo Flex could grow over time to something that looks closer to a Flexibility Coordinator, improving market effectiveness and coordination in the longer term. For example, the Piclo platform could expand to include different parts of the value chain, such as dispatch or settlement, or by helping to coordinate different flexibility markets, such as ESO or wholesale flexibility services. Similar gradual approaches could be taken in other areas of system flexibility in the medium term, including through coordination between multiple Flexibility Coordinators.

With the move to a Flexibility Coordinator limited to such a narrow scenario as described in World E, and the possible transition to Flexibility Coordinators limited to just Transition Path 4, the Impact Assessment does not recognise the potential value for a more mixed approach, where ESO/DSO coordination is supported by one or multiple Flexibility Coordinators, whose role in delivering different parts of system flexibility can grow over time. An alternative potential pathway is required which sees Flexibility Coordinators facilitating a low-change ESO/DSO pathway, while allowing the option to move to a more effective neutrally-operated, flexibility-coordinated system in later years if there is a benefit to do so.

Such an approach could potentially improve the ability to deliver ESO/DSO coordination and related economic benefits in the short to medium term, and allow the option to secure the benefits of a single Flexibility Coordinator world in the longer term, and should be included as a potential pathway.



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