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29<sup>th</sup> April 2019

Dear Sir or Madam,

### **ESPUG's Response to ENA's Future World Impact Assessment Consultation**

I am writing on behalf of ESP Electricity, a licensed Independent Distribution Network Operator. We welcome the opportunity to respond to the above consultation, dated 6<sup>th</sup> March.

We welcome the initiative of the Future Worlds programme and the ambitions it seeks to achieve. However, we would like to note several key points from the Impact Assessment that require further thought and consideration moving forward.

We agree that further work is required in order to further develop and refine the impact assessment (IA), particularly by defining roles and responsibilities which would aid in understanding operational viabilities of each Future World by comprehending how markets would interact. This is key in forming a view on the IA of each world and would lead to better inputs into the programme. Additionally, while we understand that system security will be fragmented across different participants in each Future World scenario, we are disappointed that this has not been considered in further depth in the IA. It will be necessary for the Open Networks Project to engage with IDNOs to accurately assess the impact on the Future Worlds which we believe could be significant.

We acknowledge that further work and research is required, particularly in order to understand the value of flexibility at low voltage levels to network operators. In cases where LV flexibility is economically beneficial, either outright or contingently, understanding is required to ascertain the flow of costs and benefits across network levels. Cost savings may be realised upstream, while the costs sit with the downstream network operator.

We would also like to seek clarity on the aspect of investment (capex) costs outlined in Appendix C: Cost assessment methodology. The costs are alluded to as being borne by the DNOs to facilitate various DSO functions such as Connections and Connection Rights and System Defence and Restoration by way of implementing interfaces for the same. It is unclear to us whether any assumption has been made towards necessitating that other industry participants (for example, the IDNOs) will need to adopt these systems to ensure continuity of smooth operation and therefore, whether a portion of these investment costs will have to be borne by other parties.

Finally, we are disappointed by the lack of in-depth consideration accounted for IDNOs in the report. With regard to Appendix E: Outputs and unintended consequences and risks workshop, there are several points we would like to make:

- a) In the consideration of IDNOs item, stating that no incentive exists to facilitate alternative solutions underscores the fact that the RPC mechanism governs the primary source of our revenue. Revenue for all networks is primarily driven by demand; as noted in the report, benefits of alternative solutions are predominantly realised upstream. Under current arrangements, an independent network will absorb the full cost of the connection and the upstream DNO will receive any cost savings. This issue must be addressed through commercial arrangements or within the charging methodologies going forward.
- b) The description of the impact is not an accurate representation as it seems to combine two separate aspects, the IDNO involvement in the market and the degree of separation of our customers.
- c) With regard to the impact magnitude based on the current description, we believe the impact of system operator conflicts for the IDNOs would be high, given the role IDNOs perform in the market.
- d) Customers should be no worse off by being on an IDNO network than if they were on a DNO's. Therefore, IDNO customers must be able to benefit from flexibility services and markets. Failure to secure this under the ONP would not be an acceptable outcome.

We look forward to further engagement with the Open Networks Project and hope that these points will be adequately addressed as work continues.

If you have any questions in relation to our response, please do not hesitate to contact me on 01372 587500.

Best regards,



Brandon Rodrigues  
Regulation and Policy Support Analyst  
ESP Utilities Group