

ENA Open Networks Project
4 More
London Riverside
London
SE1 2AU

01 May 2019

Dear Sir or Madam,

SSEN owns and operates the transmission and distribution network in the North of Scotland and in our distribution services area in the South of England.

We welcome the opportunity to respond to Baringa's Future World Impact Assessment. We believe this is a well-balanced report at this stage in the process. Going forward, we recognise the importance of work to evidence the positions set out herein and to develop clear and robust frameworks that promote development and inclusion. Given our active involvement to date, we have not responded to the detailed questions set out in the consultation, but rather provided our focused feedback below.

Baringa's assessment of the Future Worlds

We broadly agree with Baringa's assessment of the Worlds. In particular, we agree with the position that the DSO is not responsible for energy balancing at each GSP under World A, or indeed under World B. Instead, the role of the DSO in both of these Worlds is more that of 'congestion management', allowing the free flow of Distributed Energy Resource services after any local congestion and market conflicts have been resolved. This includes offering up this free-flowing flexibility to the Balancing Market or ESO.

We believe this is an important position to communicate to ensure that parties are not ill-advisedly against Worlds A and B. We believe these Worlds are both most commensurate with where we are now and with the future energy system as it is currently envisaged.

On a separate but related point, we would question whether World D is only less conducive to local energy markets in the short term. We would expect World D to have a longer-term impact on the development and effectiveness of local energy markets. We believe a more centralised system operator will always be less attractive to these local markets relative to a more regional or localised arrangement where parties can be more engaged and confident that their needs are understood.

World B as the starting point for all transition paths

We agree that World B provides a sensible starting point for all transition paths given the trend towards more decentralised generation and more engaged electricity consumers. We welcome the optionality that this approach offers and we believe World B is most aligned with both where we are now and providing the opportunity for new markets and frameworks to develop that foster more local energy solutions.

As such, we do not align with the view that World B has the potential to lead to higher long-term costs due to the duplication of functions between the DSO(s) and the ESO. If properly administered, we would suggest costs should be lower in recognition of the fact that new requirements on both parties are kept to a minimum. Plus, by being able to offer services to both DSOs and the ESO, we believe it should be possible for parties to benefit from synergies offered through this enhanced access and choice.

In contrast, we believe a starting point based on World D, would 'extend' the current arrangements in a way that is less cognisant of these changes and prematurely undermines the development of a more local energy response.

Areas for further work

In terms of the areas identified for further work, whilst we believe Baringa has identified valid areas, we believe the focus should be on:

1. Establishing the value of flexibility to consumers; and
2. Developing and establishing the framework necessary to manage joint working under World B between the ESO and the DSO.

In terms of the impact of reformed access and charging arrangements on delivering flexibility, whilst we would agree that this should be a consideration of any World, we do not believe this is about driving flexibility *per se*. Ofgem's work on reformed access and charging arrangements is about putting in place a fair and equitable charging regime. As such, it is about putting in place the 'right' overall framework and we would caution against trying to influence this framework to advance flexibility. The promotion of flexibility should be a natural outcome where it is the 'right' response.

In terms of identifying the potential conflicts of interest, we agree that it is key that the conflicts of all actors in the Worlds are explored and properly understood. We are particularly mindful of views that DNOs should be separate from commercial activities. We do not believe it would be appropriate to mandate such a step at this stage. We would be concerned that this would add unnecessary complexity at a time when there are sufficient complexities for the industry and its stakeholders to work through and address. Instead, we believe this can

be effectively managed as part of the overall work and, in particular, as part of learning by doing, with appropriate and proportionate mitigations being put in place where these are found to be necessary.

Finally, we agree that there is merit in exploring how the industry arrangements could accommodate a different pace of change across regions and we would be keen to be involved in this further work.

We hope this response, together with our active involvement in the ENA ONP, working with our stakeholders to take forward this work and to help identify effective solutions to the technical, commercial and regulatory challenges that the industry faces in delivering the necessary transition, is helpful.

Should you wish to discuss any of this response, please do not hesitate to get in contact.

Yours faithfully,

Gillian Hilton
Networks Regulation