

Energy Networks Association
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01 May 2019

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Open Networks Project – Consultation on Future Worlds Impact Assessment

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, storage, and energy supply to end users. We have five million electricity and gas customer accounts in the UK, including residential and business users.

Summary

We welcome the opportunity to continue engagement with the Open Networks Project (ONP) on the Future Worlds through this consultation.

As the system becomes more decentralised, Distributed Energy Resources (DER) have an important role to support and provide services for system operation. We are supportive of the ESO's ambition¹ to develop a market platform by 2023 to enable 1MW and above to participate directly in balancing services markets and for participation by smaller assets through aggregation. This will enable the ESO to access DER service providers directly to meet system needs. If it is cost effective, the DNOs should also utilise this platform to signal and manage local system operational needs.

We have not directly responded to the questions raised but rather make the following high level points.

Supporting low carbon transition

Transmission and Distribution networks have an essential role to support the transition to a low carbon energy system by connecting significant new sources of low carbon generation including offshore wind and nuclear, smaller scale low carbon generation/resources, and to support the electrification of transport and heating systems.

Alongside timely network investment to support this transition and delivery of Government policy, system operators need to identify and signal system service requirements to the market to facilitate the provision of flexibility services and enable the operation of a secure and reliable system in a cost efficient manner for consumers.

The development of open and transparent marketplaces will allow DER including demand side response to participate in the provision of flexibility services, where there is a need. The ESO is responsible for reliable and secure system operation at a national level and national needs must take priority. If it is efficient, then the same arrangements can facilitate management by DNOs of local system needs such as constraint management.

¹ "Our RIIO-2 ambition" consultation published by ESO April 2019

Enabling whole system solutions and incentives

We support enabling of whole system solutions across the electricity and distribution networks. The coordination of planning and operation between the electricity transmission and distribution system operators is an essential component of a whole system solution. Whole system solutions should be market based and encourage flexibility from users to deliver real benefits in deferring or substituting costly asset investment where possible.

To achieve this requires alignment of incentives across DSOs and the ESO, which is not currently always the case, potentially leading to conflicts and inefficiencies resulting in higher costs to consumers. For example, one of the DNOs main incentives is to manage their system to reduce losses while the ESO is incentivised to operate an economic and efficient system. This results in a tendency for the DNO to run at high voltage, the impact of which is often at the boundary between the DNO and TO network which is managed by the ESO.

Transparent, fair, neutral markets

It is important that the delivery of a whole system solution uses standardised platforms and standardised framework agreements, with clearly different schedules depending on the product being contracted. DER providers require sufficient market transparency and price discovery to enable them to make sound investment decisions.

In the delivery of fair and neutral markets, we are concerned about the lack of regulatory clarity and potential conflicts of interest in network companies offering services to System Operators in competition with other sources of flexibility. It is clear that some of the network companies² are considering (and in the case of ENW³ already are) investing in non-conventional network assets to provide flexibility and system services.

While we can see a case that in some instances this approach might provide least cost solutions for consumers, there are real consumer risks from regulated network businesses using regulated network assets to provide services in competitive markets. A clear regulatory framework is needed to provide certainty and confidence to market participants. We are also concerned that DNO actions are impacting on the balancing positions for other parties and an appropriate mechanism is needed to mitigate this.

The Future Worlds impact assessment

The Baringa analysis makes reasonable assumptions that World C would be delivered by the expected changes from Ofgem TCR and RAFLC. World C should not be viewed as a future world but as complimentary to the other worlds, delivering additional consumer benefits when overlaid onto the other worlds.

We hope that you find these comments helpful in developing thinking on Future Worlds. Should you wish to discuss any of the issues raised in our response please contact Kathryn Wall on 01452 653492, Simon Vicary on 01452 654791 or myself.

I confirm that this letter may be published on the ENA's website.

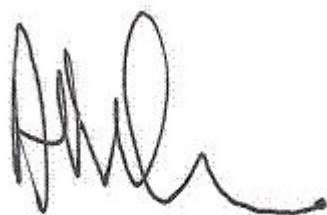
² "Shaping the Electricity Transmission System of the Future" published by National Grid Electricity Transmission February 2019

³ ENW is participating in FFR market tenders utilising assets developed under Project CLASS

Yours sincerely

Mark Cox

Yours sincerely,

A handwritten signature in black ink, appearing to be "Mark Cox", with a stylized, cursive script.

Mark Cox
Head of Transmission and Trading Arrangements