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Energy Networks Association  
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## **Piclo Response ENA Flexibility Consultation 2020**

Dear ENA team,

We welcome the opportunity to respond to the ENA Flexibility Consultation 2020 and the efforts and progress that have been made to date. We offer the following response to the workstreams and questions within the consultation.

### **Workstream 1. Common Evaluation Methodology and Tool: clean version and populated example – 2020 Product**

Transparency is key to the development of flexibility markets. In principle, we are supportive of the development of an underlying assessment methodology and the standardisation and visibility across DSO flexibility market decision-making it would achieve.

We welcome the progress made in developing the Common Evaluation Methodology, which will ensure the DSO assessment of flexibility against other network reinforcement alternatives and the subsequent decision-making processes are visible and consistent to the market.

The accompanying CEM excel tool is useful, particularly in the early stages of the CEMs development and implementation. However, it should be understood that although this excel tool is a good starting point for implementing the methodology, it is possible that alternative, streamlined methods of implementing the CEM for decision making processes could also be used by DSOs in the future e.g. their programmed integration into flexibility market platforms.

We recommend that there is flexibility in how the agreed, standardised methodology is adopted and integrated into DSO systems, and is not prescribed to a specific excel tool which might restrict innovative approaches that could increase and streamline adoption when flexibility services are required at short notice and at large scale. .

## **2. Procurement Processes – 2020 Product 2**

**Q2 – Would stakeholders see greater value in holding PQQ stages (1,2 in the associated presentation) at point A or point B in the timeline with rationale?**

**Q3 – Do you agree with the alignment of timing for procurements on the proposed cycle of 2 procurements per year and if not, why?**

The Procurement Processes workstream proposes determining the procurement stages and timelines for DSO flexibility markets. From Piclo's experience in facilitating DSO flexibility procurement we provide two broad comments, firstly on the proposed procurement cycle and associated timings and secondly the market development away from PQQs towards Dynamic Purchasing Systems.

### **Proposed Procurement Timeline**

DSO flexibility markets and the types of services procured are developing and will change over the coming months and years in response to regulation, innovation and decarbonisation as well as DSO experience and localised requirements. A fixed procurement cycle, with a set number of competitions each year, will therefore not be appropriate or applicable to DSO flexibility markets as it will not reflect or keep pace with the changing markets.

To date, DSO flexibility markets have been used as an alternative or deferral to longer-term network reinforcement. Consequently, the awarded contracts can be for years in the future and over a long period such as several years. Contrastingly at the national level, flexibility markets are increasingly moving towards shorter term procurement. It is likely that in the future new services will be offered at a DSO level, which could include short term flexibility requirements, such as day ahead congestion management, alongside the longer-term procurement already taking place.

Consequently, the proposed schedule and timings outlined in workstream 2 would not be appropriate. For shorter term procurement, it is not possible to use a qualification stage which takes place before each competition. A qualification register must exist, which contains pre-approved companies and assets able to bid into competitions. Operational assets must be able to qualify at any time. Dynamic Purchasing Systems (DPS) have been used by two DSOs (UK Power Networks and SP Energy Networks) and are discussed in more detail below.

Additionally, the proposed number of tenders that DSOs should run each year (one in Spring, one in Autumn) also does not take into account the new, different services that are likely to be procured (potentially with shorter timeframes).

### **Market development from PQQ to Dynamic Purchasing Systems**

Piclo has collaborated with UK Power Networks and SP Energy Networks to streamline DSO flexibility procurement processes by incorporating a Dynamic Purchasing System (DPS) into the competitions.

Flex Providers must first be accepted onto the DPS to be considered eligible to participate in the competition. Consequently, when DPS competitions are posted on Piclo Flex, assets that fall within the competition area will initially show up as unqualified.

Being accepted onto the DPS means that the System Operator has pre-approved a Flex Provider for participation in their competitions. Once accepted, the Flex Provider won't need to apply again for the duration of the DPS (the length of which is determined by the System Operator). There are five steps to completing a DPS application, which can be seen below.

The screenshot displays a web application interface for a Demo DPS (20/21). On the left is a dark blue sidebar with a 'demo' label at the top and icons for 'Map', 'Manage', and 'Settings'. Below these is a circular button labeled 'AT'. The main content area is titled 'DSO 4 Demo DPS 20/21' and features a list of five steps: 1. Contracting organisation, 2. Asset ownership, 3. Audit details, 4. Organisation questions (highlighted), and 5. Submit application. The 'Organisation questions' section contains several yes/no questions with radio button options. The questions are: 'Is this organisation in receivership (property or administrative)?', 'Is this organisation in administration?', 'Is this organisation in liquidation?', 'Can this organisation pay its debt as they fall due (within the meaning of Section 258 Insolvency Act 1986)?', 'Has this organisation had any petitions for winding up (other than vexatious petitions) within the last three years?', 'Has this organisation had any petitions for bankruptcy (or their equivalent in the country in which the Applicant is incorporated) within the last three years?', 'Has your organisation been convicted of any of the offences or has any discretionary exclusion occurred, as contained in Regulation 69 of the Utilities Contract Regulations 2016 (UCR), and listed in Regulation 67 (f) and 67 (8) of the Public Contracts Regulations 2015 (PCR)?', and 'In the past 3 years for services has this organisation had any similar contracts terminated prematurely and/or had damages claims or other compensable sanctions brought against the organisation for any significant or persistent deficiencies in performance of a substantive requirement of the contract?'. Below the last question is a text input field with a character count 'You have 500 characters remaining'. At the bottom, there is a label 'Confirm value of insurance cover for employers liability (in pence)' followed by another input field.

The application is sent to the System Operator who will either accept or reject it. If accepted, the Flex Provider assets will now be eligible to qualify for the competition. If rejected, the System Operator provides a reason to the Flex Provider, who can then apply again.

DPS competitions reduce time and administration and enable results to be announced more quickly. The development away from PQQs means we do not see greater value in PQQ stages taking place at either Stage A or Stage B of the timeline and highlights again how a fixed procurement cycle is not reflective of the developments already taking place across flexibility markets.

### 3. Active Power Services Parameters: Definitions & Implementation Plan – 2020 Product 3

#### Q4 – Do you agree that implementation of these consistent parameters helps to remove barriers to entry?

Yes, consistent parameters and standardisation is important for creating transparent, competitive markets.

#### 4. Market Facilitation – Non DSO Services – 2020 Product 6

**Q8 – What input can you provide to help us prioritise non-DSO Service development:**

- **What do stakeholders want network operators to facilitate in the near term?**
- **How can network operators facilitate non-DSO services whilst ensuring system resilience?**
- **How do network operators create scalable interfaces that allow these markets to flourish?**

Flexibility market development should look to ongoing industry innovation for insight as to what services should be prioritised. Competitive and coordinated flexibility markets will increasingly require interfaces across different services, systems and platforms. Third party provision of services can be an efficient and cost-effective option for DSOs and we welcome the continued collaboration and engagement from industry and networks.

Piclo Flex has streamlined business as usual DSO flexibility procurement, creating a scalable market interface and driving engagement in the markets through providing visibility of competitions, streamlining qualification (such as through the use of Dynamic Purchasing Systems) and procurement on the platform, including the provision of feedback and analytics.

Piclo has brought value to DSO business models through market engagement and stimulation as well as developing expertise in contract execution. The powerful search and matching services being developed will enable efficient contract stacking, with streamlined trading functionality and on-platform contract execution. This is being developed through BEIS Flex Exchange, which will facilitate secondary trading and Project LEO, which will facilitate renewable flexibility trading.

##### Secondary Trading

Secondary trading involves the transfer of contracted flexibility obligations from one flex provider to another. The first secondary market trial Piclo is facilitating is for ESO product STOR. National Grid ESO currently allows for the secondary transfer of STOR contracts to take place. However, to date very few trades have occurred due to barriers such as in advertising and searching for opportunities and executing contract transfers.

The Piclo Exchange project aims to show how an open, transparent and neutral flexibility marketplace can facilitate this role across ESO and DSO flexibility competitions.

##### Peer-to-peer Trading

In collaboration with Scottish and Southern Electricity Networks, Project LEO: Local Energy Oxfordshire is a pilot project that is focusing on the creation of new local flexibility services such as local capacity trading to avoid renewable curtailment, enabling new investment models for DER that reflect the value of their assets and their flexibility can be realised.

*Curtailment Trading:* Renewable generators can offset the need for curtailment by incentivising a source of nearby flexible demand to increase output at peak generation times.

*Allocated Capacity Trading:* Renewable generators can purchase unused connection capacity from nearby generators instead of paying for expensive grid reinforcements, with Piclo marketplace providing a single place for generators to advertise their need to buy or sell connection capacity.

## **5. Baseline Methodology: Scope and Consultants ITT – 2020 Product 7**

**Q10 – Open Networks Project will consider if differing DER types such as demand turn up, storage, generation etc should be subject to different methodologies. Do you feel this would be a fair outcome for providers or, would a simple one-size fits all approach encourage more participation?**

Transparency is important for the development of competitive flexibility markets. Consequently, what is important is transparency and openness from DSOs when using baseline methodologies, as opposed to the baseline itself.

**Q11 – Are there any other key aspects Open Networks should consider when investigating potential methodologies?**

Methodologies could seek to understand the potential for energy efficiency to compete in flexibility markets and how this could be valued against other types of flexibility response.

Additionally, approaches to baselining methodologies should take into consideration the role of independent marketplaces to facilitate baseline approaches in a streamlined manner.

## **6. The Interactions between Flexible Connections (ANM) and Flexibility Services – 2019 Product 5**

The interaction between ANM and Flexibility Services is set to increase in importance. The product 5 paper begins to establish the synergies between flexibility services and ANM, highlighting the possibility for Flex Provider participation in both markets at the same time. Consequently, the coordination of and access to ANM and Flexibility Services must be streamlined to open up these opportunities and to prevent unintended adverse conflicts.

Marketplaces can capture opportunities such as flexibility service and ANM synergies through integrations. In this example, the marketplace would integrate with ANM service providers, providing value by increasing participation, reducing transaction costs and improving reliability. Piclo is working on developing this possibility through an “Open API”. Further detail on this concept will be provided in the Piclo position paper, which we will share with ENA shortly.

## **7. DNO Flexibility Services Revenue Stacking – 2019 Product 5**

**Q16 – Please provide feedback on the identified barriers and proposed recommendations and which of these recommendations should be prioritised in any future scheduled development work in the Open Networks Project?**

**Harmonised Qualification:**

Harmonised qualification is a key feature of an unrestricted procurement process, which is able to accommodate a variety of longer and shorter term services throughout the year. Currently, the administrative burden and cost of qualification and access to different markets acts as a barrier to competitive flexibility markets.

Piclo is developing the concept of a “Piclo Passport” to act as a gateway between different markets, where Flex Providers have controlled access to all markets according to their credentials.

In a subsidy-free landscape, stacking revenue from multiple sources is essential to a Flex Providers business case. A simple, streamlined qualification interface to each market (varying from DSO flexibility services to the Balancing Mechanism or STOR) would benefit Flex Providers by enabling them to build out aggregation strategies as well as encouraging diversified and competitive flexibility markets.

In addition to this, the following barriers (from the list provided) should also be prioritised with consideration for the role a marketplace could have in facilitating them:

- **ESO and DNO to provide better visibility of contracted positions**
- **Flexibility Service coordination issues between DNO and ESO to be resolved**

We are more than happy to provide further information on any of the points of this consultation if required.

**James Johnston**  
**CEO and Cofounder**