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Re: Flexibility Consultation 2020

Dear ENA Team,

I am writing on behalf of the RenewableUK, which is the representative body for the future energy system – one that is powered by clean electricity. We support over 400 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and to access export markets all over the world.

RenewableUK welcomes the opportunity to respond the Flexibility Consultation. Achieving the UK's legally binding net zero target will mean the deployment of renewable energy must increase at a significant and consistent rate over the coming decades. Flexibility providers will play a significant role in our transition to net zero by alleviating network issues and enabling further low-carbon generation to connect to the network. We support the efforts by the ENA on how best to remove the existing barriers to flexibility and integrate these assets into our energy system.

We believe there a couple of areas across ENA Open Networks Flexibility Services Workstream (WS1A) which should be addressed as a matter of priority. There is a need to better refine the definition of drivers for DNO flexibility and network needs within the Common Evaluation Methodology; focus efforts on provision of real-time information of Active Network Management curtailment and the principles surrounding those schemes, and prioritise open visibility across all flexibility services to improve transparency to the industry as DNOs transition to DSOs. Importantly, future focus of non-DSO service market facilitation should be placed on removing existing barriers to Virtual Power Plants which enable greater connectivity and dispatch of renewable generation across the GB transmission and distribution system.

RenewableUK would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours Sincerely

Yonna Vitanova
Senior Policy Analyst

1. Do you agree with our proposals within this consultation paper and if not, please provide us with any rationale and alternative proposals? This feedback can be generic to our proposals or provided on a product by product basis.

Although not the focus of this consultation, we have a fundamental concern about the proposed inputs and outputs of the Common Evaluation Methodology (CEM) and the definition of DNO system need. The drivers for the DNO flexibility requirements or network investment should be better defined – particularly in relation to generation access to the network. The fundamental rights of network access for generation (and flexibility providers) need to be better captured to provide the appropriate signal to the DNOs regarding their own system capacity needs.

We believe there should be the addition of a specific reporting metric, which reflects the value of curtailment within the proposed inputs and outputs assessment under the CEM. The allocation of curtailment risk and associated costs to generation has a subsequent impact on the efficiency of network operation and investment when compared to the total costs and benefits incurred by all network users. This is most certainly the case at transmission, where under the Network Options Assessment process, the ESO is able to assess the need to reinforce the network either through traditional network-built solutions, or through markets against the cost of network balancing which are borne by consumers.

Currently ‘flexibility providers’ connected to distribution networks constrained by generation (export) are connected through Active Network Management (ANM) schemes. It is important to remember that there is currently no record of non-BM generation which is being constrained; or a mechanism to account for the additional loss of production or O&M costs as a result of ANM curtailment. This issue will increase in importance as further generation and flexibility providers connect at distribution voltage levels. DNOs must effectively address the challenges involved in providing common level of constraints across their network, to ensure the network and its users can build a clear understanding of how capacity is being managed, where spare capacity is available and where more can be done to manage constraints, e.g. by considering if the need could be better serviced through a network solution.

Connection applicants are in direct competition when applying for connections. While flexible connections have become increasingly important (particularly for projects seeking to connect amid network constraints) there remains a limited appetite from commercial developers for connection offers that will directly restrict output. While many project developers are responding to policy uncertainty by developing adaptive business models, connection offers with high level of curtailment attached (e.g. over 20%) ultimately prevent project progression, but more importantly signal to the DNO a network need which has to be addressed. We would welcome if future focus is placed on building a more transparent approach which reflects the value of curtailment against flexibility services closer to real-time, particularly as we move towards more dynamic system with high share of renewables. These system improvements can deliver significant savings to consumers.

Moreover, while open governance arrangements as part of the development of the CEM are welcome, we hope that this process would include greater industry involvement in future changes within the CEM. We note that such approach could further improve the transparency of the DNOs own decision-making and particularly as flexibility service procurement at DNO level is adopted as business as usual.

Market Facilitation – Non-DSO Services – 2020 Product 6

2. 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?**

RenewableUK supports the view that further work should be carried out to explore the barriers which exist for Virtual Power Plants (VPPs). Such models are at the forefront of the flexibility landscape.

Importantly, gaps still exist in communication standards, protocols, and technologies particularly in relation to interoperability and security of communication systems. There could be scope for common communication standard (VHP ready standardised communication protocol) to be codified to encourage growth of Virtual Power Plants (VPPs) across the UK. A common communication protocol would improve VPPs transmission and distribution integration as long as the right policy framework updates are put into place. This would include refining the definition for metering, telemetry and control standards for distributed resources participating in wholesale markets.

The Interactions between Flexible Connections (ANM) and Flexibility Services – 2019 Product 5 Q12-15

Notwithstanding our concerns regarding the definition of DNO system need with the CEM expressed in our response to Q1, we have the following priorities in relation to the proposed future activity on the interactions between ANM and flexibility services:

- closer to real-time information provision on ANM curtailment;
- more transparent curtailment rules;
- DNO access to BSUoS for flexibility services.

Closer to real-time information provision on ANM curtailment

It is disappointing that, in the report, much time is spent attempting to outline the difference between ANM and demand flexibility. We do not consider ANM and demand side flexibility services as technologies with distinct outcomes. There should be a specific objective to move toward a unified, liquid flexibility market with DSR and ANM competing to offer flexibility services.

The report has rightly recognised the current differences in process, timing and type of data provision across DNOs regarding ANM schemes. A closer to real-time information provision on ANM curtailment could bring significant system benefits, improve the interaction between ANM and balancing services and ultimately result in lower cost to consumers. As such, we see the need to prioritise work in this area and particularly as code changes to improve DNOs and ESO data exchange and communication have already been raised¹. Improving information exchange and coordination between ANM schemes, DNOs and the ESO would provide better understanding on the interaction between curtailment risk and the risk of non-delivery of any balancing service. As we see further generation and network flexibility providers connect at distribution voltage levels and more

¹ National Grid ESO, ‘GC0139: Enhanced Planning-Data Exchange to Facilitate Whole System Planning’ <https://www.nationalgrideso.com/industry-information/codes/grid-code-old/modifications/gc0139-enhanced-planning-data-exchange>

distributed generation access the BM, provision of real-time information on ANM curtailment will become increasingly important. We would encourage the ENA to set out plans on how closer to real-time information on ANM curtailment could be communicated across DNO, ESO and the generator.

More transparent curtailment rules

As our energy landscape changes, network users are all seeking to connect and utilise the network in different, often more flexible, ways. As business models change over time, the benefit a particular asset has to the system will also change. At the same time, as the DNO network evolves, constraints which were once identified could be elevated either by network solutions or through flexibility services, mitigating for the need of ANM. We do believe therefore, that it is practical to review the current curtailment rules and whether or not certain assets should be subject to ANM deterministic principles (Last In First Off or a Pro Rata scheme) over the lifetime of the connection. The contract to issue ANM flex should be agreed at close to real time signals, rather than being offered at a real-term contracted price. The price paid for this contract and service should be transparent so that it can be compared against flexibility options.

DNO access to BSUoS for flexibility services

We agree that a decision on whether DNOs should recover costs through BSUoS for economic network investment or through a flexibility service should be addressed as a priority, particularly as deliberations on the future of the distribution connection charging boundary become clearer in the coming months. We would particularly like to see references on how work in this area could be progressed or codified as get we get a clear policy direction under the Access and Forward-Looking Charges SCR (Access SCR) from Ofgem.

DNO Flexibility Services Revenue Stacking – 2019 Product 5

16. 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?

Broadly we have no objection to the identified barriers on the back of the report. However, it is not clear why the report has not included Contracts for Difference (CfD) as a possible revenue stream within the assessment, while interactions between the Capacity Market and balancing services have been within scope. The omission of the CfD in the assessment is a risk which undermines the proposed recommendations and prioritisation of activity. We further note that procurement of Fast Reserve has not been required since January 2020, while the ESO is preparing to make changes to the suite of reserve products to better align with its obligations under the EU Clean Energy Package.

Changes to the network charges regime and the ongoing development of the Access SCR would affect market-based revenue streams of generators and, if not properly designed, limit the value of DER flexibility providers. This has not been fairly reflected in the report and could significantly affect the ultimate cost to consumers.

Open visibility of all services provided will be important driver of increased market transparency and activity in this area should be prioritised. This would be particularly the case under a continued provision of Customer Load Active System Service (CLASS) as a balancing service in RIIO-ED2 where further clarity is needed on the ESO and DNO data exchange and dispatch. We further note there are significant risks with utilisation of CLASS which could place suppliers who have customers connected to the DNO network out of balance, increasing the supplier's exposure to imbalance charges. This risk should be properly addressed as it could ultimately increase cost to end-consumers.