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Open Networks Team
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25 September 2020

Dear Open Networks Team,

Re: RES Response to the ENA Open Networks Flexibility Consultation

The following is a response to the “ENA Open Networks Flexibility Consultation” dated 31 July 2020 (“the Flexibility Consultation”) submitted by Renewable Energy Systems Limited (RES). Our response is not confidential.

RES is the world’s largest independent renewable energy company active in onshore and offshore wind, solar, energy storage and transmission and distribution. At the forefront of the industry for over 38 years, RES has delivered more than 17 GW of renewable energy projects across the globe and supports an operational asset portfolio of 5.5 GW worldwide for a large client base.

RES has been a long-term supporter of the Open Networks Project and encourages the ENA to continue to drive it forward so that its outputs can be a key enabler to the transition to the Net Zero total energy system. RES is delighted to provide a response to the Flexibility Consultation. Our headline message is that we support the project as a whole and we endorse the objectives of establishing standardisation, transparency and confidence in the emerging distributed flexibility market. We look forward to providing further input as the project evolves. Some specific points on the proposals are outlined in the following paragraphs.

Common Evaluation Methodology (Governance)

We welcome efforts to establish a Common Evaluation Methodology (CEM), this should provide the transparency required to inspire confidence in those considering investment in new flexibility assets and prove to be the bedrock of an efficient cost benefit analysis process. However, in order for this to be an effective enabler for all system users, the CEM will need to benefit from the decision-making rigour and transparency afforded by core industry governance. We note that the Flexibility Consultation proposes that the ongoing development of the CEM be the responsibility of a “Users Group” that will make use of the ENA’s administration function and website. Given the crucial role of the CEM in the making of investment or flexibility procurement decisions and the impact that this will have on flexibility market opportunities, we think that the ENA’s proposal is inadequate and that the CEM should be incorporated into core industry governance via one of the existing regulated codes or a new regulated document if necessary.

Flexible Connections vs Flexibility Services

Existing Flexible Connections

Connection agreements for existing flexible active network management (ANM) connections have been entered into by system users as an alternative to incurring cost and delay associated with full network reinforcements. These connection agreements will normally exclude compensation for reduced rights to export to the distribution system during periods of ANM operation. The business case for these connections are highly likely to have included a forecasted decrease in reduced energy output based on reasonably foreseeable future operation of the ANM scheme.

It is crucial for the long-term credibility of the electricity generation and flexibility markets that pre-existing flexible connections are not exploited as a provider of free flexibility services. In order to establish a level playing field and protect investor confidence, DNOs should commit to amend pre-existing ANM connection agreements in order to place a contractual cap on the level of permissible uncompensated constraint from which the DNO can benefit. This would stimulate competition by not only protecting investor confidence but also by permitting the ANM connected system user to offer further flexibility services.

Future Flexibility Services

In order for future flexibility services to be attractive to investors, not only must they be stackable (see below), the terms of those services must align with developments in user rights of access to distribution systems emerging from the Ofgem Forward Looking Charges and Access Significant Code review. Of particular significance will be new rules and governance surrounding a DNO's right to constrain a user's rights of access to a distribution system and any associated use of system charging implications for those that accept access restrictions. We also agree that any holistic set of arrangements to support an economic and efficient flexibility market will require exposing DNOs to the cost of operational constraints in order to inform investment versus flexibility decisions.

Stackability

We agree with the high level conclusion that "barriers to stacking remain but can be resolved by co-ordinated action between all parties seeking to procure flexibility" and encourage all relevant stakeholders (NGESO, LCCC, DNOs) to commit to prioritising stackability as a key enabler to the future flexibility market. However, we propose that Contracts for Difference be added to the list of services to be taken into account when considering stackability.

If you wish to discuss any of the matters raised in this response, please do not hesitate to let me know.

Yours sincerely,



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