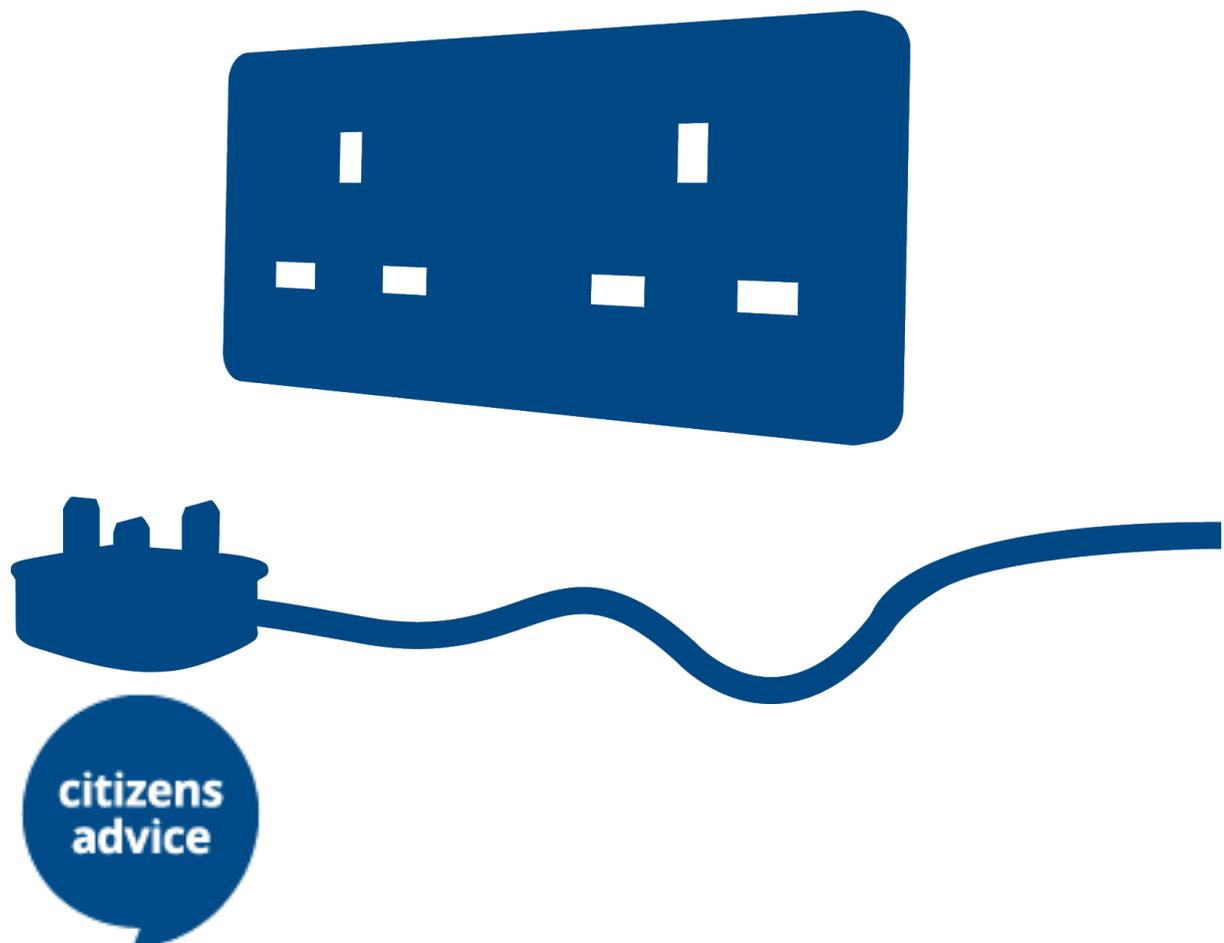


# ENA Open Networks Flexibility Consultation 2020

Citizens Advice submission  
October 2020



Citizens Advice welcomes the opportunity to respond to this consultation as part of its statutory role to represent domestic and small business energy consumers in Great Britain. Our response is not confidential and may be freely published.

## Overall views

We welcome the continued engagement with stakeholders for the Flexibility and associated workstreams. We believe that consultation and the use of workgroups are essential to capture views and ensure that there is ongoing progress in this vital contribution to the achievement of net zero.

We contribute to the Energy Networks Association (ENA) Open Networks project via our participation in the ENA Open Networks Advisory Group as well as responding to consultations. Relevant consultation responses to the Flexibility workstream include:

- Response to the ENA Open Networks Flexibility consultation, August 2019<sup>1</sup>
- Response to the Ofgem DSO Position Paper, October 2019<sup>2</sup>
- Response to the Ofgem Distribution System Operation (DSO) key enablers consultation, February 2020<sup>3</sup>
- Response to the Ofgem RIIO-ED2 Sector Specific Methodology Consultation, October 2020 (not yet on our website - due to be uploaded shortly)

It is important to maintain forward progress towards standardisation of methodologies, contracts, and processes, as well as the neutral facilitation of markets and to enable wide participation. The use of flexibility services within the electricity system is necessary to reduce peak and overall demand whenever appropriate, which will in turn reduce the need for costly infrastructure and generation.

We note that in the Ofgem RIIO-ED2 Sector Specific Methodology Consultation<sup>4</sup> Overview Section at Appendix 5 that there are proposed DSO Roles and Principles, many of which may impact upon the work of the Flexibility and other

---

<sup>1</sup> Citizens Advice, [Response to ENA Open Networks Flexibility consultation](#), August 2019

<sup>2</sup> Citizens Advice, [Response to Ofgem Position paper on Distribution System Operation: our approach and regulatory priorities](#), October 2019

<sup>3</sup> Citizens Advice, [Response to Ofgem Key enablers for DSO programme of work and the Long Term Development statement consultation](#), February 2020

<sup>4</sup> [Ofgem RIIO-ED2 Sector Specific Methodology Consultation](#), July 2020

associated workstreams. **We would recommend that the Flexibility workstream, associated workstreams, and the Open Networks Product Initiation Document are reviewed in light of the proposed DSO Roles and Principles to ensure that the workstreams and whole Open Networks project are aligned to the proposed DSO requirements.**

### **Common Evaluation Methodology**

We welcome the development of a common evaluation methodology to assess flexible versus non-flexible options as well as the development of a common flexibility valuation methodology. We support the move to have the valuation methodology tool available to both the DNOs and stakeholders to understand how different options will be assessed as well to have the common evaluation methodology, the tool and the user guide published openly.

We note that the implementation plan for the common evaluation methodology will be published in December 2020 and implementation for the common evaluation methodology is to follow by 1 April 2021 at the latest. We support the timely implementation of the methodology to drive consistency across DNOs.

Open governance arrangements for the common evaluation methodology and tool are important elements to ensure appropriate input from stakeholders and to effect change. The formation of a User Group, under the ENA, is welcomed. **We recommend that the members of the User Group are drawn widely enough to ensure full coverage of relevant industry and current and future market participants. These should include smaller industry participants, consumer groups, and representatives of community energy groups, for instance.**

We note that in the Ofgem RIIO-ED2 Sector Specific Methodology Consultation<sup>5</sup>, Overview Section, Appendix 5, A5.11 that there will be a requirement for DNOs to identify and use new operability tools and approaches that minimise network losses and maximise the efficiency of network capacity. A5.11 states that DNOs will need to consider “the promotion of energy efficiency measures where this cost effectively alleviates the need to upgrade or replace electricity capacity and supports the efficient and secure operation of the distribution system”. **We recommend that the Flexibility workstream incorporates the promotion of energy efficiency within its Cost Benefit Analysis work, including how this**

---

<sup>5</sup> [Ofgem RIIO-ED2 Sector Specific Methodology Consultation](#), July 2020

**potential option can be incorporated into the methodology and tools being developed.**

### **Procurement Processes**

We understand the procurers and those responding to tenders will have the practical experience to be able to more appropriately respond to this topic. However, we believe that alignment of procurement cycles for flexibility would have benefits. For instance, those offering flexibility could compare the various offers and be better able to plan to which offers to respond.

### **Active Power Services Parameters**

No comments on this topic.

### **Commercial Arrangements**

We are pleased to see that the standard contract for the procurement of flexibility has been finalised and that it will be introduced by all DNOs by the end of 2020. This standardisation will assist flexibility providers to participate more easily in the flexibility market. We note that the standard contract is currently being developed for 'Release 2' to focus upon alignment between Electricity System Operator and DSO services. We welcome that this development is open to stakeholder input via consultation later this year and that the revised contract will be implemented rapidly, with a target release date for March/April 2021.

### **New DSO Services**

We appreciate that there is a balance to be struck between standardisation and enabling the development of new services through innovation between DNOs and market participants. It may be useful to consider standardisation after a new service has been procured a certain number of times, even by a single DNO, rather than whether it has been used by a particular number of DNOs. One DNO's experience of a particular service may be sufficient to undertake a review for standardisation of the service across all DNOs.

### **Market Facilitation - Non DSO Services**

We note the interim report on the recent innovations and trials for non-DSO services, such as peer to peer trading<sup>6</sup> and welcome the outline description of

---

<sup>6</sup> ENA Open Networks Project, [Market Facilitation Non DSO Services](#), June 2020

these important projects. We welcome the drive to generate quick wins from these projects. We would highlight a new project called 'Resilience as a Service' run by SSEN, Costain and E.ON<sup>7</sup> that may also be relevant to this workstream and would be useful to incorporate within any forthcoming report update.

### **Baselining Methodology**

We note that the DNOs' experience in operating flexibility is still being developed and that there are currently multiple and evolving methodologies to establish baselines for Distributed Energy Resources (DER) base load. We agree that it would be helpful for both flexibility providers and DNOs to establish standardised best practice and welcome the proposed assessment of existing practices. We note the timeline within the scoping document and Invitation to tender (ITT)<sup>8</sup> for consultants to undertake and complete the assessment, however, **we would recommend that firm new target dates are given for the following steps, such as for any further consultation, and for implementation of any best practice standards.**

### **The Interactions between Flexible Connections (ANM) and Flexibility Services**

A number of large customers have already entered into flexible connections with DNOs where they have agreed to permit curtailment of their connection (predominantly generators) in exchange for an initial lower connection fee. There is not usually any ongoing compensation payment for curtailment. These contracts are part of the Active Network Management (ANM) of many DNOs to manage their networks. We understand that there appears to be no legal issue preventing such customers also providing flexibility services to DNOs (as described in the ENA paper on ANM and flexibility service provision)<sup>9</sup>.

We have noted the issue of flexible connections within our response to the Ofgem ED2 Sector Specific Methodology consultation where we stated:

"DNOs have already entered into many flexible connection contracts with businesses. These contracts allowed for a cheaper initial connection in exchange for the right of the DNO to unilaterally limit supply to the

---

<sup>7</sup> SSEN website, [Resilience as a Service](#), December 2019

<sup>8</sup> ENA, [Scoping document for consultation work on Distribution Flexibility Baselines](#) and [ITT](#), July 2020

<sup>9</sup> ENA Open Networks Project, [The Interactions between Flexible Connections \(ANM\) and Flexibility Services](#), July 2020

business (sometimes with limitations to the number of such interruptions). In many cases, these contracts are in perpetuity. We believe that it may be in consumers' interest to have such contracts reconsidered as the businesses may not have been aware that their flexibility may have had value in the market, or the flexibility market may have evolved since the contract was entered into. Stakeholder engagement and analysis would be welcomed to assess the impact on the efficient operation of the flexibility markets of these pre-existing flex connections' contracts and whether there should be amendment of these contracts."

These contracts may have been entered into before the development of a secondary market and when the DNO was in an effective monopoly position so that the business customer may not have fully understood the value of the rights that they were giving up. The DNO may have had an informational advantage compared to these customers.

We note the intention within this consultation to seek views as to how to facilitate those with flexible connections to enter the secondary markets or sell flexibility services to the ESO and DNOs to potentially avoid curtailment. This is a welcome information-gathering exercise. However, at present "these Flexible Connection (ANM) schemes successfully mitigate the high connection costs for the connecting customer, in return for automated curtailment without compensation. As a result, currently there is no incentive for the DNO to use and pay for Flexibility Services, in place of curtailing a customer with a Flexible Connection (ANM) "for free"."<sup>10</sup> We believe that the past and ongoing use of flexible connection contracts by DNOs may impede the development of the secondary market in flexibility services and therefore **we recommend that stakeholder and regulatory input is sought as to whether previously-contracted and new flexible connection arrangements are a barrier to effective secondary flexibility service markets, and to look at a range of potential solutions.**

### **DNO Flexibility Services Revenue Stacking**

We note the report<sup>11</sup> for this topic provided by ENA and Cornwall Insight. We welcome the outline of the issues relating to the various flexibility services, and

---

<sup>10</sup> ENA Open Networks Project, [The Interactions between Flexible Connections \(ANM\) and Flexibility Services](#), July 2020, page 17

<sup>11</sup> ENA/Cornwall Insight, [DNO Flexibility Services Revenue Stacking](#), July 2020

their interactions and potential interactions between the ESO and DNOs. There is clearly substantial further work to be undertaken to address the issues outlined within the report, for instance, the need for further information sharing between the ESO and the DNOs, the development of a consistent baseline methodology for DNOs for flexibility services, and the need for licence changes at both distribution and transmission levels. A number of these issues have a timeline for next steps and **we recommend that a timeline is assigned to all of the next steps following prioritisation resulting from this consultation.**

## Residential Flexibility

Whilst residential flexibility will not be of interest to every household, it's important DNOs do everything they can to maximise participation. In 2019<sup>12</sup>, we asked consumers how they felt about different flexibility models and what might make them feel more confident to engage. People's opinions of models differed by their perceived risk and were often based on issues like financial loss or gain and the environment.

Based on that research, we recommended demand side response service providers (DSRSPs) offer financial and product guarantees to assure consumers they would not be severely impacted financially or that their products would not be damaged by the flexibility models. The research also indicated that offers would need to be transparent and easy to use, mindful of consumer preferences and tailored to individual needs, recognising different behavioural patterns.

No one model stood out as a model that would cater to everybody's needs, so it's important that DNOs assess how they make changes to the way they procure flexibility and the impact that this has on different flexibility models.

More generally, Citizens Advice has made recommendations to regulate third party intermediaries<sup>13</sup> such as DSRSPs to provide consumers with complete and robust consumer protection. Qualitative research supporting our recent work on third party intermediaries revealed that where these entities had greater involvement in a consumer's day to day life - for instance, control over household assets - there was a strong desire for more stringent regulation.

---

<sup>12</sup> Citizens Advice, [Smart EV charging: what do drivers and businesses find acceptable?](#), June 2019

<sup>13</sup> Citizens Advice, [Stuck in the middle](#), March 2020

The British Standards Institute will shortly consult on a voluntary demand side response code of practice for DSRSPs. While some DNOs and the ENA will have contributed to the drafting process for this, this code of practice is an important tool to encourage residential flexibility, given its link to the Energy Smart Appliance (ESA) Publicly Available Specification (PAS), PAS 1878. We think DNOs should have a strong voice in this forum to ensure that there is alignment between the standard and the vast array of work being undertaken to standardise how flexibility is procured.

We recognise that the flexibility market is relatively nascent and that demand for flexibility will only increase as more intermittent renewables are connected to the system and electricity is used more widely for transport or heat. An important element of this will be understanding how to value local and national flexibility to give clear market signals.

A great range of feedback will be generated through the process of procuring flexibility. It's crucial DNOs recognise and act on feedback where possible and channel policy or technical feedback to government and regulators, where action needs to be taken.

DNOs should continue to communicate critical information openly and frequently where this relates to new standards, requirements and procurement rules.

**We would ask for a review of the types of technical barriers that may impede smaller participants or domestic users from tendering as a flexibility provider.** For instance, we understand that there may be technical requirements for data and metering testing that would be unrealistic for a smaller participant or domestic user to be able to undertake.

### **Stakeholder Engagement**

We welcome the continued stakeholder engagement for the Open Networks project as a whole, and the Flexibility workstream, to ensure that stakeholders have an opportunity to input to these important topics. We support the continued intention to have the widest stakeholder input including from non-traditional energy market participants. **We recommend that ENA discusses with DNOs whether their stakeholder engagement groups and online panels may be a useful means to obtain further feedback for ENA**

**Open Networks consultations as these groups are already established and usually have wide membership. ENA engagement with community energy groups would be valuable as well as the use of interactive online and social media platforms to ensure the widest reach.**

# Free, confidential advice. Whoever you are.

We help people overcome their problems and campaign on big issues when their voices need to be heard.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.



**[citizensadvice.org.uk](https://citizensadvice.org.uk)**

Published October 2020

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.