

Energy Networks Association – Open Networks Project - Flexibility Consultation 2020 – 31 July 2020

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RWE welcomes the opportunity to respond to the Open Networks Project - Flexibility Consultation 2020 –published on 31 July 2020. We are responding on behalf of RWE Supply & Trading GmbH, RWE Generation plc and RWE Renewables UK (RWE).

Q1 – 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.

We welcome the opportunity to review the proposals as set out in the consultation document and the supporting documents. The ENA has undertaken considerable work to consider how to access flexibility resources associated with the users of DNO networks. We have several high-level observations:

- **Compliance with Directive 2019/944 dated 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU:** The proposals for flexibility markets should comply with Directive 2019/944, in relation to the roles and responsibility of Distribution System Operators and the operation of electricity balancing markets;
- **Efficient operation of balancing and flexibility markets:** Flexibility markets will operate alongside the balancing mechanism. Dispatch of distributed energy resources (DER) in flexibility markets may create issues for the availability of resources contracted to either the ESO which may increase or reduce costs for the ESO;
- **The relationship between the ESO and the DSOs:** Issues that require consideration include dispatch priority for resources contracted to the ESO and the DSO and the information exchange between the ESO and the DSO and the market; and
- **Impact on balance responsibility:** The document is unclear as to how the balance responsibility is assigned under the proposed arrangements. Dispatch of DER will impact on party imbalance.

DNO Flexibility markets should be based on:

- **Standardised products.** These products should be similar to or the same as those procured in the balancing mechanism and recognise that the local flexibility markets could operate as balancing markets enabling for example local voltage control. These local balancing markets may resolve constraint conditions on the relevant network. The standard products should allow for the efficient management of the distribution network where DER reduce or avoid the need for network reinforcement. This could include, for example, the management of local resources such as electrical vehicles connected to the network where the connection requirements could ensure that vehicles do not off-take at the same time, while ensuring that all the vehicles are able to maximise their charging.
- **Specific products:** These products should be the same across all DNOs and reflect the characteristics of distribution networks. This could include the despatch of specific small or

local resources to address constraints on the DNO networks. Specific products may be permitted where there is limited competition or liquidity in local balancing markets.

- **Procurement through platforms:** The DNOs should develop platforms that encourage participation of DER, either in aggregate or individually in local balancing markets. The platforms must be common across all DNOs. Platforms must be stable and allow users to have confidence in participating and the opportunity to ensure that flexibility is appropriately rewarded.
- **Procurement across all relevant timescales:** The DNOs must ensure that the procurement process enables the efficient operation of the local balancing markets. In this context, some products may have longer timescales than others. For example, DNOs products that are based on avoidance of network investment may have a longer duration when compared with products that are required for efficient local operation (e.g. electric vehicle charging dispatch).
- **Rewards should be based on flexibility provision rather than availability:** Parties should be remunerated based on the operation of local balancing markets rather than through ancillary contracts.

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?

We note the prequalification process that is described in the accompanying presentation. It is important that the DNOs adopt a common approach towards the procurement of flexibility services.

The prequalification approach should be based on the ability to provide standard products which meet certain criteria, and which are subject to appropriate penalties for non-delivery.

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 process should enable providers to enter the markets under arrangements that facilitate the operation of the networks. The proposal to use procurement windows is a good starting point. Flexibility markets should be aligned with the requirements to operate the system and the arrangements must allow for the development of platform-based flexibility markets may be developed.

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

We agree that consistent parameters across all DNOs will help to remove barriers to entry. In this context these parameters should facilitate the introduction of standard products, whose revenues can be stacked.

Q5 – Should any other parameters be considered and if so, why?

We do not have a view on whether there are other parameters that could be considered.

Q6 – At what point do you believe it is appropriate to standardise new products? For example, should we initiate standardisation early on limited experience, or allow more than 2-3 DNOs to develop and procure similar products before commencing standardisation?



A common approach based on the procurement of standard products across all DNOs should be the starting point for the consideration of local flexibility markets in GB. Therefore, standardisation should be the first step in the procurement process.

DNOs should provide the terms and conditions for balancing using standard products. These should include, the payment and settlement arrangements, the performance requirements and the penalties for non-delivery. These arrangements should, to the extent possible, be aligned with existing arrangements.

The standard contract as currently defined represents a starting point for the terms and conditions for the provision of services in local flexibility markets.

Q7 – Which new DSO services do you believe are ready for standardisation now, if any, and why?

A common set of standard products should be the starting point for the development of flexibility markets.

The standard products could relate to the provision of services to the DNO in circumstances where the network is subject to constraints. These constraints could relate to investment in the system, where flexible services can ensure avoidance of investment or for operational purposes and where constraints occur dynamically dependent on the state of the network.

Local resources that provide services to the DNO may be unavailable to the wider balancing mechanism. For example, a flexible asset that provides services to avoid DNO network investment may not be able to provide balancing services to the ESO unless the local network constraint is not active.

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?*

It is important that the DNOs facilitate the development of non-DSO services that can improve network resilience and enable efficient operation. The DNOs should create a framework that enables non-DSO service provision through the introduction of standard products on market-based platforms. This approach will ensure the efficient management of network constraints in both the long term and the short term.

The DNOs must provide relevant information that relates to the operation of the local flexibility markets. The information should facilitate participation by non-DSO resources.

Q9 – What challenges are flexibility providers currently facing in respect of baseline requirements?

The baselining methodology for flexible service provision should be consistent across all DNOs and build on best practice established in the balancing mechanism and in the Balancing and Settlement Code.

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 encourages more participation?

The baseline methodology should be a standard approach across all DNOs with respect to all products procured. There should not be a different approach for different products or technologies.

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

The baseline approach should be consistent with that adopted under the Balancing Settlement Code (see BSC modification P376) for the provision of balancing services. This approach is consent for all sizes of demand side provision including both large- and small-scale technologies (in secondary BMUs). The approach adopted under BSC modification P375, which provides for asset metering is an important innovation which could be utilised by DNOs in the development of flexibility markets.

Q12 – Please provide feedback on the proposed future activity for consideration and which of these activities should be prioritised in any future scheduled development work in the Open Networks Project?

Flexibility markets should be available for all forms of DER, both large and small. In this context work is required to enable controllable assets behind the boundary settlement meter, either in aggregate or individually to enter the market. Work is required to design flexibility markets that facilitate to participation of behind the settlement meter resources.

Q13 – Under the current arrangements to do you receive sufficient information, in the right format, and at the right time to be able to manage your curtailment risk effectively?

We recognise that DNOs have the right to curtail DER under current connection arrangements via Active Network Management. However, we believe that this should be a last resort action having undertaken procurement of competitively sourced options in flexibility markets. Curtailment arrangements should be phased out over time and replaced by flexibility markets.

Currently there is limited information on the nature of distribution network constraints that enable parties to understand and forecast the risk of curtailment. There must be much greater transparency of information on the operation of DNO networks that enables parties to forecast local constraints and the effects that they have on the local networks. This includes, for example, information on DER connected to the network, the state of the system and the availability or otherwise of facilitates that are capable of dispatch.

Information provision is of paramount importance in the design of flexibility markets. The DNOs should create appropriate platforms that allow for the public disclosure of information that is relevant for the efficient operation of flexibility markets.

Q14 – Are there barriers preventing customers with assets with Flexible Connections (ANM) providing flexibility services to the ESO or DSO today?

Parties that have signed flexible connection agreements recognise the risk of curtailment. However, there is limited information on the state of the local DNO networks and this prevents users from accurately forecasting when curtailment is likely to occur and over what period. Much greater information is required on the state of the DNOs networks and the availability or otherwise of demand side resources to enable parties to accurately forecast the risk of curtailment and assess whether they are available to participate in local flexibility markets.

Q15 – How could DNOs better enable customers with Flexible Connections (ANM) to use Flexibility Services to mitigate the current and future curtailment?

DNOs should provide much greater information on the state of the DNO network and the availability or otherwise of DER.

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?

Market participants will take advantage of revenue stacking where such opportunities occur. We are unclear, however, whether the resources are being paid twice for the same service or whether the services provided are mutually exclusive. Users should be subject to non-delivery charges if they are unable to provide the contracted service.

DER subject to predictable, location specific constraints on DNO networks may be unavailable to provide services to the ESO. This will require a better understanding of the effects of local DNOs constraints on the availability of resources to the ESO.

Barriers to revenue stacking which are only due to contract terms should be removed.

Q17 – Do you have any ideas on how we might better engage and encourage participation of residential flexibility in flexibility service provision? Can you identify any barriers that might currently exist, along with potential solutions?

It is essential that DNOs create arrangements that facilitate the participation of existing and future players in flexibility markets. This involves the design of the products, the procurement platforms, and arrangements that include information provision, metering and settlement. On this basis providers of residential flexibility can determine their level of participation either individually or in aggregate. This applies to both large- and small-scale resources.

Residential service provision may be facilitated by aggregators who can bring together the resources using innovative solutions. We expect considerable interest from new aggregation service providers who can take advantage of the deployment of electric vehicle charging facilities, batteries and small-scale renewable technologies.

Q18 – Do you have any ideas on how we might better engage and encourage feedback and input from stakeholders (including non-traditional energy market participants)?



The ENA and DNOs should concentrate on creating the market structures that enable market participation at all levels within distribution networks. Open platforms for procurement will encourage market entry and create the conditions that lead to innovation in the provision of local flexibility resources.

If you have any comments or wish to discuss the issues raised in this response, then please do not hesitate to contact me.

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