



Open Networks Project
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Dear Sir or Madam

Ref : Workplan 2022 consultation

Thank you for the opportunity to respond to this consultation. Please find below E.ON's response.

E.ON response

E.ON has been a strong advocate of the role flexibility has to play in achieving Net Zero at least cost and has engaged significantly and supportively with the Open Networks Project in the last four years. Open Networks alongside BEIS's Smart System and Flexibility Plan has driven local flexibility markets forward significantly. However, a recent Carbon Trust¹ report for BEIS stated that over 150GW of flexibility will be needed across the electricity system to deliver billions of pounds of cost savings for all customers by 2050. At present local flexibility markets are tendering for 3GW which shows just how far we still need to go to reach a cost-effective Net Zero electricity system by 2035.

With regard to the high level 2022 work plan being consulted upon by Open Networks, we are pleased to see that making flexibility work for providers continues to be a primary goal. We are pleased that further consideration is being given to make contracts, systems, data architecture, models and processes as standardised as possible. Flexibility providers need to be able to reduce costs to a minimum in order to provide the end customer with sufficient value and ensuring that all aspects of participating in local flexibility markets are the same across the country will be essential. Having standardisation will also allow customers to switch providers more easily ensuring the market is competitive and delivering for the customer.

In terms of flexibility competition, we would like to see further work being undertaken by Open Networks regarding Active Network Management (ANM) schemes, flexible connections and their impact on flexibility markets. We believe that whilst ANM schemes do help embedded generation connect more quickly, DNOs are in fact stifling flexibility competition by setting a static value for flexibility

¹ Flexibility in Great Britain", Feb 2021 <https://publications.carbontrust.com/flex-gb/analysis/>

through ANM schemes. We appreciate the constraints that DNOs have had to work under in trying to bring forward flexibility markets as a solution to new connections that require reinforcement, but we believe that more work should be done to investigate whether Ofgem's new charging boundary decision (currently only minded to) may allow the transition of ANM schemes into assets that are required to bid into flexibility markets. This will help develop liquid, competitive, and transparent markets that can discover the true dynamic price of flexibility and hence keep flexibility costs low for customers for the long term. We think that Open Networks should look to investigate the feasibility of transitioning all ANM schemes to flexibility markets entirely.

Other areas of focus that we are pleased to see included in WS1A of the 2022 workplan are:

- the interaction between the Common Evaluation Methodology (CEM) and the Whole System CBA. We feel that it is important to consider wider implications of what is most cost effective in a particular area of the network and that flexibility can offer a wider set of benefits than just deferment of the local network reinforcement. We look forward to seeing how this wider system benefit can be incorporated into the CEM.
- the reintroduction of the investigation into standardisation of dispatch and settlement processes and systems. Flexibility providers will greatly benefit from a move towards a single system for trading and dispatch (much as the ESO is doing for all national balancing markets), reducing costs and allowing more value to flow through to flexibility asset owners.
- the continuation of work on primacy rules. Without clarity on which network needs should take precedent in various situations, the system operators (ESO and DSOs) risk markets grinding to a halt until there is certainty about how flexibility will be dispatched.
- An overarching strategic view of further work needed from the point of view of flexibility which will hopefully bring together all the aspects of WS1A in a holistic view.

We are especially pleased to see a review of the suite of current local flexibility products regarding revenue stacking. No one flexibility market has sufficient value to attract investors and it is only through allowing flexibility providers the ability to move their assets seamlessly between markets that they will be able to optimise value and generate sufficiently strong business cases for further investment.

For the other workstreams E.ON is highly supportive of:

- Standardisation/alignment of the national FES and the local DFES. We believe that it is important for stakeholders such as local authorities and national Government to have a clear understanding of how national trends used in the FES can be mapped down to more local levels. We do find it frustrating that this action has been on the workplan for the last two/three years and has yet to fully align the methodologies used or even tackle simple 'quick wins' such as aligning naming conventions.

- Further work to make the Network Development Plan a useful resource for flexibility providers such that they can clearly compare and contrast various sites for investing in flexibility assets. However, we would like to clearly see how the Delivery Team intends to gather feedback from the wider industry with a recommendation that making wider use of trade bodies e.g. the Association for Decentralised Energy and flexibility consortia e.g. Flexibility First Forum might be useful avenues to explore for wider industry engagement.
- Further access of network data to non-network operators. As has been identified by the Energy Data Taskforce, there is significant value to the sharing of data across all participants and we urge the Open Networks Project to progress with this quickly.
- Working further with local authorities on their local area energy plans through a whole system optioneering service. Local planning will be key to ensure that the move to green transport and heat is done in the best way possible for each area and that local opportunities and risks are optimised to ensure that end users are served in the best way possible. As mentioned above, we believe that there should be even further work looking to tie together the whole system CBA and CEM as this will help further by ensuring that all the benefits of local flexibility are captured.

We do have some concerns with the stakeholder engagement of the work from WS3 (DSO Transition) in that we have struggled to make use of the DSO Implementation Plan in its current format. We believe that whilst the myriad detail of every DNOs implementation plan is important to have, that stakeholder engagement would be best served through a holistic overview of what is happening across each DNO area, how this is progressing and what changes to those plans might support stakeholders better. Rather than a huge document on the ENA website, DSO Implementation Plans could be communicated through engaging workshops involving the stakeholders who are most interested and who can help through discussion rather than expecting them to wade through mountains of detailed plans. The same concerns are also true of the Potential Conflicts of Interest and Unintended Consequences register (PCoIUC). There seems to be little engagement with non-network stakeholders over this document. Again, we feel that more active engagement with stakeholders would work better to ensure that these issues are being tackled as an industry rather than the perception that network operators are working on them behind closed doors. We feel that all the good work in WS3 just needs to have more active involvement of non-network stakeholders to help it move on and provide useful information to help DSOs and stakeholders.

In summary, we still strongly support the Open Networks Project and everything it is doing to deliver on the requirements of the Smart System and Flexibility Plan. We would support further active engagement with non-network stakeholders through workshops rather than reams of reports and would encourage WS1A specially to think wider around ANM and its impact of flexibility markets.