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## ADE Response - Open Networks 2021 Workplan consultation| 1 March 2021

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### Context

The Association for Decentralised Energy (ADE) welcomes the chance to respond to **Open Networks' 2021 Workplan consultation**.

The ADE is the UK's leading decentralised energy advocate, focused on creating a more cost effective, efficient and user-orientated energy system. The ADE has over 150 members active across a range of technologies, and they include both the providers and the users of energy. Our members have particular expertise in demand side energy services, including demand response and storage, as well as combined heat and power, district heating networks and energy efficiency.

In order to respond to the single consultation question: "Please provide us with any comments on our 2021 Open Networks Project workplan set out in v1.0 of the Project Initiation Document", this consultation response is structured around each Workstream and Product set out in the **Project Initiation Document (PID)**, with ADE comments provided for each Product, as relevant:

- **WS1A: Flexibility Services** (9 Products)
- **WS1B: Whole Electricity System Planning & T-D Data Exchange** (5 Products)
- **WS2: Customer Information Provision & Connections** (5 Products)
- **WS3: DSO Transition** (2 Products)
- **WS4: Whole Energy Systems** (3 Products)
- **WS5: Communications & Stakeholder Management**

### Consultation response

#### Flexibility Roadmap

The ADE welcomes efforts like this to provide a broader overview of work and initiatives happening in this space, including how ENA future work interacts with wider industry developments. We have highlighted this Roadmap to our Members.

#### Workstream 1A – Flexibility Services

##### Product 1: Enhancements to the Common Evaluation Methodology & Tool

The ADE welcomes the further development of the CEM and Tool to incorporate the option value of flexibility as well as carbon assessment of options. In order to correctly value flexibility, it is critical that the CEM and Tool account for the value of optionality provided by

flexibility solutions. Good examples exist of how this could be done, including [the Frontier model](#), which details a backwards induction approach to valuing future optionality in the assessment of the most optimal course of action.

We would like to reiterate our suggestion from the 2020 Flexibility Consultation, of making the assignment of probabilities to load growth scenarios a core (not optional) functionality. A transparent and standardised framework for assigning probabilities should be developed. Again, a good example of this can be found in the [Frontier model](#) (p. 21-22).

In the **[Common Evaluation Methodology and Tool](#)**, published December 2020, Baringa note that this tool is meant to capture only costs and benefits from the DNOs' perspective, and thus is not intended to capture the costs to ANM connectees of curtailment. While we appreciate the explicit focus of the CEM on DNO costs and benefits, and its connection to the Ofgem CBA, it is essential that wider costs and impacts are taken into account when assessing ANM against other solutions. If this is not built into the CEM, other mechanisms for such wider assessment must be developed, and the interactions between different assessments (tools, mechanisms, processes) be made clear and explicit. As current ANM contracts do not allow the connected party to see the value that they forego by accepting a flexible connection and therefore cannot be priced against storage or DSR, better means of comparing ANM against storage/demand turnup need to be developed.

## **Product 2: Procurement Processes**

The ADE welcomes the focus of this Product on delivering further alignment on procurement timescales between DNOs and ESO. It is important to ensure that DNO procurement does not clash with other market tendering timelines, including the CM. This work on alignment of timescales will need to take into account reforms to ESO procurement timescales over the coming year(s).

Timelines are, however, only one part of ensuring a smooth approach to procurement. To further facilitate this, we would like to see the development of a single portal shared by all DNOs for prequalification and registration of assets. This portal should be as automated and user-friendly as possible, allowing type testing of assets and portfolio-level testing, including objective pass/fail criteria for all parameters and containing as few manual information inputs as possible. The portal should be independently owned and managed and allow open access to commercial marketplaces and independent Flexibility Platforms.

In future, we would like to see local flexibility markets develop across timeframes and note that closer to real time procurement will require different timing of procurement rounds for shorter-term products.

DNO procurement rounds need to be reliable, predictable and frequent, to build confidence in local flexibility markets.

## **Product 3: Principles to review legacy ANM Contracts**

The ADE welcomes this Product, in particular the consideration of general exit strategy principles for ANM connectees.

The ADE considers that all ANM contracts should be migrated to financially firm connection contracts where operation is managed through tradable constraints markets by 2028. We

would welcome work by Open Networks to begin the analysis that will be needed to underpin this migration, including development of a 'red, amber, green' approach, assessing where tradable flexibility markets can replace ANM contracts in the short term ('amber' areas) and where this will take longer ('red' areas). A fixed, declining cap on curtailment for all generation on ANM contracts should be introduced, with usage time-limited and standardised, both in terms of costs and numbers of curtailments.

In the meantime, we strongly support work to enable assets with flexible connections to participate in flexibility services. This relates both to work on exit strategies and work to improve the provision of curtailment information to ANM connectees as well as the ESO.

#### **Product 4: Commercial arrangements – Standard Agreement**

The ADE welcomes the focus on addressing accessibility for aggregators and smaller DER providers. While progress in development of the Standard Agreement is welcome, a number of outstanding issues remain; it is important that these are addressed via Version 2 of the Agreement, if not sooner. A key priority is to ensure that monitoring and metering are appropriate for a range of customers. Any requirements more stringent than what would be expected to participate in an equivalent ESO service should be justified (e.g. through cost benefit analysis).

It is essential that this Product is developed iteratively with industry engagement throughout.

#### **Product 5: Primacy Rules for Service Conflicts**

The ADE welcomes this piece of work, and would welcome the opportunity to engage. It is essential that the stakeholder expert panel contains representation from across industry, including new market participants and decentralised energy providers. Any Rules developed should be subject to wide public consultation at all stages of the process.

#### **Product 6: Non DSO Services**

The ADE looks forward to engaging around this topic through the market simulations workshops.

#### **Product 7: Baseline Methodologies**

The ADE supports this piece of work and looks forward to further engagement on this topic over the course of 2021.

#### **Product 8: Apportioning curtailment risk**

The ADE welcomes the objective of this Product to look at more equitable spread of curtailment risk, increasing DNOs' exposure to the risk – and value – of curtailment.

**Product 9: Curtailment information**

The ADE strongly support work to improve the provision of curtailment information to ANM connectees as well as the ESO. This is critical to enable assets with flexible connections to participate in flexibility services.

**Workstream 1B – Whole Electricity System Planning & T-D Data Exchange****Product 5: Network Development Process**

The ADE welcomes work to improve network capacity reporting, which will help to indicate where flexibility services are most needed. We look forward to providing feedback on NDPs and Capacity Signposting Reports to ensure that they are as useful as possible for market participants.

**Product 6: Operational DER Visibility & Monitoring**

The ADE welcome the development of a functional specification for operational metering of DER. As the consultation acknowledges, it is important to balance the need for sufficient accuracy for service delivery and validation with not imposing unnecessary costs on smaller providers through overly stringent metering standards.

Any register must be fully compatible with the data registers and upload process for e.g. BM, so that assets can be interoperable without needing to be registered multiple times.

It is critical that the workshops under this Product include not only suppliers and flexibility providers, but also OEMs and installers. While suppliers/aggregators *may* be able to register assets providing flexibility, DNOs need sight of everything installed, for which engagement of OEMs and installers will be crucial.

Moreover, this Product needs to include written consultation to seek input from stakeholders on proposed requirements. This needs to be in addition to planned workshops.

**Product 7: Operational Data Sharing**

The ADE welcomes this process and would highlight the Energy Data Taskforce recommendation that all data be Presumed Open. Thus, while it is useful to identify the most relevant data and prioritise its release, a plan to release all remaining data will also be needed.

**Product 8: Review of Technology Business Modelling**

Greater visibility of systems used by DNOs to deliver DSO functionality is welcome. The ADE notes that this is a scoping activity, and that further activities will be planned, following the initial scoping phase in Q1. Open Networks should seek feedback from Ofgem and wider stakeholders on their plans for further work in this area.

**Workstream 2 – Customer Information Provision & Connections****Product 1: Embedded Capacity Register**

The ADE welcomes work on implementing improvements to the Embedded Capacity Register and looks forward to engaging on this work.

Notably, if the Embedded Capacity Register is extended to assets <1MW, OEMs and installers need to be engaged.

### **Workstream 3 – DSO Transition**

#### **Product 1: DSO Implementation Plan**

The publication of the DSO Implementation Plan in 2020 was welcomed by the ADE and our Members, and we welcome the continued work by Open Networks to improve and update the Plan and Roadmap. This is a useful tool for stakeholders to understand the targets and progress for DSO developments, if kept up-to-date and accessible. We recommend this be made available in the form of a spreadsheet, listing all actions, targets and progress made. This should be kept up to date and available for users to download.

#### **Product 2: Conflicts of Interest & Unintended Consequences**

The ADE supports Open Networks' efforts to monitor conflicts of interest and unintended consequences associated with DNOs' provision of DSO functions. Monitoring potential conflicts of interest and unintended consequences will be important to enable future separation of DSO functions from DNOs, and fair and neutral market facilitation by DNOs. However, this monitoring activity will only add value if followed up by actions to address/mitigate identified risks. It is not clear how Open Networks intend to address risks identified in the risk log. Open Networks need to establish processes to this effect, and the ADE would like to see further information provided in or alongside the risk log on actions planned and/or undertaken to mitigate risks.

### **Workstream 4 – Whole Energy Systems**

#### **Product 1: Whole Systems CBA**

The ADE welcomes the further development of the Whole Systems CBA, in particular the inclusion of option value. The ADE have previously engaged with ENA and the ESO on this topic, and consider the development of this functionality to be critical to ensure that the CBA frameworks are fit for purpose and able to comprehensively assess costs and benefits of diverse solutions, including flexibility solutions.

Various examples exist of how to value optionality; a good example can be found in a [model developed by Frontier Economics](#) for SSEN.

With the explicit focus of the CEM (WS1A P1) on costs and benefits to DNOs, and the exclusion, therefore, of costs and impacts for wider stakeholders in assessment of ANM against other solutions, the Whole Systems CBA may be where such wider stakeholder impacts can be captured. This needs to be made explicit, including how these different assessments/tools can and should interact.

#### **Product 4: Investment Planning**

The ADE welcomes this work; in particular linking LAEPs with DNO data would be beneficial. Open Networks should consider how to ensure uptake of this service amongst local authorities.

### **Workstream 5 – Communications & Stakeholder Management**

The ADE looks forward to continued virtual engagement with Open Networks in 2021. Facilitating industry input through consultations and other means of engagement is essential. To this end more consultations and other forms of active outreach to stakeholders for input are necessary, beyond advisory and steering groups, which often require more sustained and regular attendance than market participants can provide. Many Products are not planned to include consultations, despite potential for significant impact on stakeholders.

Finally, while we appreciate the intent to make this consultation as simple and accessible as possible, with just one overarching request for feedback, we think that future consultations would benefit from greater steer from Open Networks, with direction setting questions set out for each Workstream.

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