

Procurement Processes

Open Networks WS1A P2

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DOCUMENT CONTROL

Authorities

Version	Issue Date	Authorisation	Comments
1.0	16/12/21	Open Networks Steering Group	Approved for publication

Related documents

Reference 1	Procurement Processes Implementation Plan July 2021
Reference 2	ON21-WS1A-Flex Consultation Slides P2 Oct 2021

Change history

Version	Change reference	Description

Distribution

Public

Introduction

About ENA

Energy Networks Association (ENA) represents the owners and operators of licenses for the transmission and/or distribution of energy in the UK and Ireland. Our members control and maintain the critical national infrastructure that delivers these vital services into customers' homes and businesses.

About Open Networks

Britain's energy landscape is changing, and new smart technologies are changing the way we interact with the energy system. Our Open Networks programme is transforming the way our energy networks operate. New smart technologies are challenging the traditional way we generate, consume and manage electricity, and the energy networks are making sure that these changes benefit everyone.

ENA's Open Networks programme is key to enabling the delivery of Net Zero by:

- opening local flexibility markets to demand response, renewable energy and new low-carbon technology and removing barriers to participation
- providing opportunities for these flexible resources to connect to our networks faster
- opening data to allow these flexible resources to identify the best locations to invest
- delivering efficiencies between the network companies to plan and operate secure efficient networks

Executive Summary

Distribution networks (DNO) and the Electricity System Operator (ESO) are particularly aware that as market enablers for a whole range of new smart technologies they cannot simply focus on services where they are the principal beneficiary. As natural monopolies, networks have a duty to facilitate peer-to-peer trading of capacity, constraints and even energy for example, in their role as distribution network operators.

1. Purpose of this document

This document is the final report by Product team 2 (P2) from Workstream 1A of the ENA's Open Networks programme for 2021. This document shall summarise activity carried out by the P2 team during this calendar year, outlining what the key deliverables were, what if possible, we have done to meet those deliverables and the next steps. Furthermore, this document shall be supported with feedback from the 2021 consultation and the plans for 2022.

Background

In previous years, this product has created common flexibility service definitions and delivered alignment across DNOs procurement activities including how and when tenders are assessed by DNOs. In 2020, ENA consulted stakeholders on the benefits of aligning procurement windows across DNOs.

In recognition of our consultation responses from 2020 and in accordance with our 2021 Project Initiation Document (PID) the P2 team committed to explore opportunities to deliver further alignment on procurement timelines between the DNOs and the ESO where possible (including consideration of the Capacity Market).

The key activities the P2 team undertook during this year are summarised in the table below. This document will be summarising the findings of the team supported by the responses to the 2021 consultation.

Activity	Date
Review of 2020 Consultation	Apr 2021
Review of DNO and ESO Timelines	Apr-May 2021
Identify opportunities for Alignment	Apr-May 2021
Undertake gap analysis	Apr-May 2021
Procurement Processes Implementation Plan July 2021	Jul 2021
2021 Consultation	Jul-Sep 2021
Review of the 2021 Consultation including feedback from all stakeholders	Oct-Nov 2021
Published improved timelines on ENA Website	Oct-Nov 2021

After the review carried out earlier in 2021 and supported by the consultation responses, the P2 team do not consider it currently advisable and of particular value to create fully aligned market procurement timelines and this paper will clearly capture the supporting context and rationale.

Furthermore, during this review and the development of this report, together with various workshops the P2 team have identified opportunities to provide greater visibility and transparency of upcoming flexibility procurement to market participants across DNO and ESO procurement timelines. These opportunities will be outlined in this document. The recommendations in this report aim to simplify participation in the market for flexibility services, making it easier for participants to identify opportunities and enable them to offer services to multiple markets with confidence

2. Key Deliverables for P2

2.1 Sub deliverables

2.1.1 Identify opportunities for alignment for DNO and ESO procurement timelines.

2.1.2 Agree an aligned approach for areas identified through gap analysis in sub deliverable 2.1.1

As a reminder the key deliverable for P2 was seeking further alignment of DNO timelines with those of the ESO and where applicable an Implementation plan to achieve this.

The P2 team spent a number of months over the Spring/Summer of 2021 to identify any opportunities for further alignment and the paper that supported the 2021 consultation recommended that further alignment would not add any tangible value at this stage and concluded that an Implementation plan for alignment would not be considered.

This review included a gap analysis of current procurement processes, including timeframes and timelines with the ESO.

In 2020 work was carried out to align DNOs procurement timelines and the objective of 2021 was to further understand whether these could be aligned with ESO procurement timelines. The ESO have moved to real-time procurement and will continue to deliver more short-term products in 2022, therefore it was concluded that DNOs should give greater focus to evolving the distribution market towards real-time procurement in addition to improving standardisation of pre-qualification so Flexible Service Providers can participate in multiple markets.

The 2021 consultation responses supported these recommendations, some of the responses are as follows;

“We do not believe full alignment between DNO and ESO processes is possible given procurement functions are in separate corporate entities.”

“Yes, Energy UK broadly agrees with the findings of the team but would note that wherever no regrets changes can be implemented they should be in order to ensure ever closer alignment in the meantime.”

“We agree that transparency and true-alignment may be a while off but it should be the goal of the DNO/ESO and at least we should have a list of all the markets/ services available for the customers as early as possible with timelines for each, so FSPs can make an informed decision”

“Yes—with the caveat that we believe moving DNO flexibility procurement moving closer to real time should remain a priority. Achieving well-functioning shorter-term markets is important to achieving truly smart flexible networks with active consumer participation”

Some of the responses clearly stated that the P2 team should still seek ways to align in the future, if of benefit and the stakeholders particularly welcomed the DNO Evolution towards real-time procurement, which if achieved would support the transition to common timelines with the ESO. We have therefore committed to the keep the dialogue open and work with trade associations and the ENA to identify if and when alignment could be delivered.

We further asked if proposed improvements to visibility of markets and greater clarity of information would be of direct benefit for Flexible Service Providers (FSPs) . The consensus to this proposal was unanimously in favour of improved information;

“The ADE supports the proposal to introduce a single webpage on the ENAs website collating all flexibility procurement.”

“Yes, this visibility will be useful and should be brought in.”

“Absolutely, this has to be the goal of the industry –it is the only way the FSPs will be able to plan for their own future and the role they will play with the industry.”

Next steps

We have engaged with the ENA and other trade associations such as Energy UK and REA, stating that we shall not be pursuing any alignment in the short term but will keep the discussion on the table and ensure that any output of the real-time procurement trials will be considered.

In 2022, we shall continue that engagement by ensuring this product’s deliverables are continually reviewed, alongside the developments of the real-time procurement trials. We are proposing to attend the new bi-monthly challenge workgroups held by the ENA in 2022, which is replacing the advisory group. There is also a quarterly forum that will be attended by the trade associations. These two forums will be an ideal opportunity to playback suggested changes and improvements.

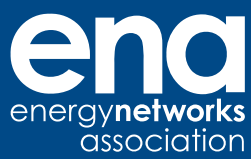
We are working closely with the ENA to develop improved information on the ENA webpage¹ in late 2021 so that Flexible Service Providers are able to see market opportunities in 2022 across the DNOs and ESO. This enhanced information will include links to various webpages for the DNOs and ESO and we shall further transcend these improvements to the DNO & ESO webpages. The [Preceden timelines](#) used by the DNOs will

¹ <https://www.energynetworks.org/creating-tomorrows-networks/open-networks/flexibility-services>

also be reviewed in 2022 to understand if we can make simple enhancements and whether including ESO timelines would be of benefit.

We would then seek to make further amendments where appropriate for March 2022, when the next set of SLC 31E Distribution Flexibility Procurement Statements are published.

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