Recommendations for the alignment of pre-qualification processes

Open Networks │WS1A P2
August 2022 │Version 1.0

DOCUMENT CONTROL

Authorities

Version	Issue Date	Authorisation	Comments
1	01/08/2022	Open Networks Steering group	

Related documents

Reference 1	*2021 Flexibility Consultation Summary and Response (16 Dec 2021)*
Reference 2	

Change history

Version	Description

Distribution

Published on ENA website

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Introduction

About ENA

Energy Networks Association represents the companies which operate the electricity wires, gas pipes and energy system in the UK and Ireland.

We help our members meet the challenge of delivering electricity and gas to communities across the UK and Ireland safely, sustainably and reliably.

Our members include every major electricity and gas network operator in the UK and Ireland, independent operators, National Grid ESO which operates the electricity system in Great Britain and National Grid which operates the gas system in Great Britain. Our affiliate membership also includes companies with an interest in energy, including Heathrow Airport and Network Rail.

We help our members to:

- Create smart grids, ensuring our networks are prepared for more renewable generation than ever before, decentralised sources of energy, more electric vehicles and heat pumps. Learn more about our Open Networks programme.

- Create the world's first zero-carbon gas grid, by speeding up the switch from natural gas to hydrogen. Learn more about our Gas Goes Green programme.

- Innovate. We're supporting over £450m of innovation investment to support customers, connections and more.

- Be safe. We bring our industry together to improve safety and reduce workforce and public injury.

- Manage our networks. We support our members manage, create and maintain a vast array of electricity codes, standards and regulations which supports the day-to-day operation of our energy networks.

Together, the energy networks are keeping your energy flowing, supporting our economy through jobs and investment and preparing for a net zero future.

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

We're helping transition to a smart, flexible system that connects large-scale energy generation right down to the solar panels and electric vehicles installed in homes, businesses and communities right across the country. This is often referred to as the smart grid.

The Open Networks programme has brought together the nine electricity grid operators in the UK and Ireland to work together to standardise customer experiences and align processes to make connecting to the networks as easy as possible and bring record amounts of renewable distributed energy resources, like wind and solar panels, to the local electricity grid.

The pace of change Open Networks is delivering is unprecedented in the industry, and to make sure the transformation of the networks becomes a reality, we have created six workstreams under Open Networks to progress the delivery of the smart grid.

2022 Open Networks programme Workstreams

- WS1A: Flexibility Services
- WS1B: Whole Electricity System Planning and T/D Data Exchange
- WS2: Customer Information Provision and Connections
- WS3: DSO Transition
- WS4: Whole Energy Systems
- WS5: Communications and Stakeholder Engagement

Our members and associates

Membership of Energy Networks Association is open to all owners and operators of energy networks in the UK.

► Companies which operate smaller networks or are licence holders in the islands around the UK and Ireland can be associates of ENA too. This gives them access to the expertise and knowledge available through ENA.

► Companies and organisations with an interest in the UK transmission and distribution market are now able to directly benefit from the work of ENA through associate status.

ENA members

ENA associates

- Chubu
- EEA
- Guernsey Electricity Ltd
- Heathrow Airport
- Jersey Electricity
- Manx Electricity Authority
- Network Rail
- TEPCO

Executive Summary

This paper outlines recommendations from the ON WS1A P2 Product Team for the alignment of Pre-qualification processes.

In advance of producing its recommendations, the Product Team undertook analysis of both technical and commercial pre-qualification criteria currently in use by DNOs and the ESO. This provided a detailed view of both the similarities and difference in approaches. It was found that while all approaches follow a similar high level process for pre-qualification, there are many differences across network operators in the type and volume of questions asked for both technical and commercial pre-qualification criteria.

Next, the FSP experience when completing technical and commercial pre-qualification criteria was considered, acknowledging that for many FSPs the submission of technical data is an ongoing process where they have growing or changing portfolios of assets. With this in mind the following recommendations were agreed;

- Standardised templates for both technical and commercial qualification criteria should be agreed in collaboration with ESO, DNOs and wider market platforms.
- Prioritising the template for the alignment of technical qualification criteria for Asset/DER registration will give the greatest benefit to the market.
- The 'quick win, low effort' aspects identified for the alignment of commercial qualification criteria should also be prioritised.
- The standardised templates should be designed to be suitable for manual submission, online upload or API submission and therefore 'Market Place agnostic'.

P2 will complete further work in Q4 2022 to develop an implementation timeline for these recommendations after feedback has been taken from Stakeholders through the ENAs Open Networks 2022 Consultation.

1.0   About WS1A Product 2

1.1   Background

Previously, this product has delivered alignment across DNOs on activities relating to procurement of flexibility services including definition of common flexibility services, alignment across DNOs on procurement activities including how and when tenders are assessed by DNOs and coordinated DNO - ESO (Electricity System Operator) procurement windows.

In 2021, the product focused on investigating the potential for further alignment of procurement timescales between the DNOs and the ESO (including consideration of the Capacity Market). Detailed reviews were undertaken to identify and assess the range of options, and the product concluded that it may not be of value to create concurrent DNO and ESO procurement timelines at this juncture. The product has consulted on both the options analysis and this conclusion. Stakeholders have broadly agreed with this conclusion and would like to see alignment across other process areas (pre-qualification, technical specifications etc.) and to see further consideration of real time flexibility procurement.

1.2   Activity for 2022

As identified in our response to the 2021 Flexibility Consultation, this product will focus on improving aspects of the procurement process such as pre-qualification and will progress thinking on the move to real time markets, mapping out steps that are required in the short, medium, and longer term to achieve this.

As part of the work on real time procurement, the product will build on the 2021 WS1A P4 Evolution Report to further develop the technical, legal, and regulatory service requirements identified in the report as required for a common procurement framework across DSO and ESO.

As part of work on pre-qualification, this product will develop a standard pre-qualification approach including the convergence of timescales such that they are accommodative even of smaller flexibility service providers. This product will build on the preliminary work undertaken as part of 2019 WS1A P2 Procurement Processes which delivered a gap analysis to establish a view on the criteria that can be standardised. This product will also review current approaches to pre-qualification employed across DNOs and the ESO to understand the pros and cons of the various approaches, with a view to align where possible.

2   About this document

2.1   Purpose

This document is intended to meet the second P2 deliverable for 2022 as detailed in the ON 2022 PID extract below;

Alignment of pre-qualification	Pre-qualification standardisation recommendation.
	This report will include a review of existing approaches to pre-qualification employed across DNOs and ESO, capturing the pros and cons of the different methods. The report will utilise some of the inputs from the gap analysis undertaken by WS1A P4 to develop a view of which criteria can be standardised whilst identifying the product specific pre-qualifications. Learnings from the roll out of ESO single market platform will also be noted.
	This report will include recommendations for the alignment of criteria and approach to pre-qualification across DNOs, seeking to align with the ESO where possible.
	This will be included in the consultation in Jul.

2.2   Future Deliverables

It should be noted that the product will be continuing this work later in 2022 to develop an **implementation plan for delivery in December 2022** as detailed in the ON 2022 PID extract below;

Alignment of pre-qualification	Detailed implementation plan to align pre-qualification.
	Taking on board stakeholder feedback, update the recommendations as required and set out a clear implementation plan that outlines how and when these recommendations will be taken forward.
	Following the publication of this, implementation will commence as per the plan.

3 Analysis of pre-qualification data

Ahead of considering any recommendation for the alignment of pre-qualification processes, the product team first collated and analysed the pre-qualification criteria used by all DNOs. This activity found that:

- There are two types of data required from FSPs for Pre-qualification: **Commercial** & **Technical**.
- These two data types can be further categorised by the points within the qualification process at which the criteria is asked. DNOs have two common key process points for qualification; **PQQ** & **ITT.**
- How each DNOs administers each process point varies from DNO to DNO, however currently all use a combination of manual and digital resources.
- On average the number of commercial and technical questions is fairly evenly distributed.
- The range and number of questions asked by each DNO varies significantly:
- Commercial - Range from 17 questions to 93. Average 53 per DNO.
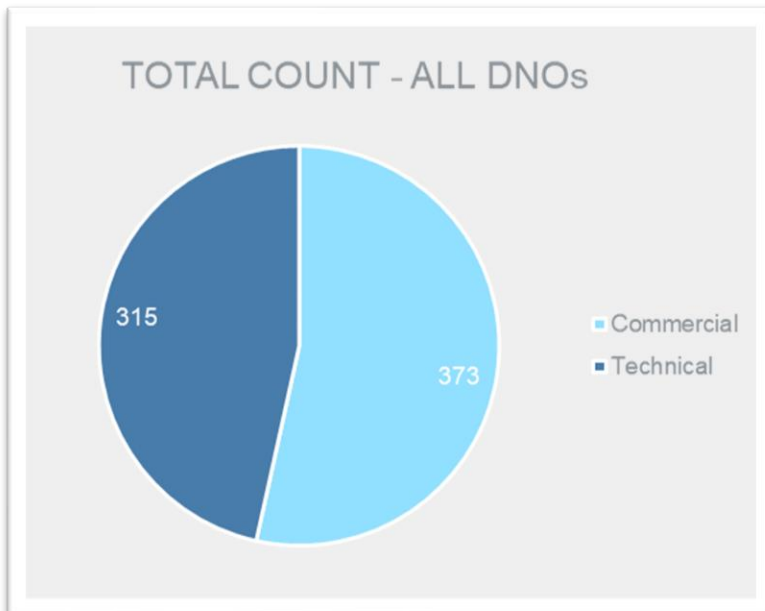- Technical - Range from 11 questions to 93. Average 45 per DNO.

Fig 1. Total count of questions asked by all DNOs within commercial and technical category.

These findings show that further data validation effort is to verify the scale of variation between DNOs, however the exercise had been adequate to inform recommendations for the alignment of pre-qualification processes, which are detailed in the following sections.

4   Recommendations for alignment of pre-qualification processes

4.1   Initial considerations

While considering the qualification data, the product team acknowledged the following;

TECHNICAL	
1	Flexibility Service Providers (FSPs) are required to provide technical qualification data for every asset/DER they wish to provide services with.
2	Aggregators/Suppliers with large portfolios find the manual submission of these difficult and time consuming, and arrangements to change DER records post award are under-developed.
3	As technical qualification is administered more frequently, greater benefits can be sought by prioritising the alignment of technical pre-qualification sooner.
4	Technical data is potentially simpler to align and define structures for as technical parameters have less variation.
5	As DNOs evolve to closer to real time procurement the need to establish an automated and standardised way of doing this will increase.

COMMERCIAL DATA	
1	FSPs are generally only required to complete commercial qualification once, usually in order to join a DPS (Dynamic Purchasing System) or Framework.
2	Commercial parameters have a large amount of variation between Network Operators due to individual approaches to the legal aspect of procurement and the differing use of market platforms to support commercial pre-qualification.
3	As the need to replicate this stage is low (i.e. if FSP circumstances change), then the alignment of commercial qualification may not be as high a priority the technical stage which is duplicated more frequently.

4.2   Recommendations

The following tables detail the recommendations for the alignment of pre-qualification processes. The product team have quantified these recommendations in respect of the market benefits and the complexity to deliver, further details on the reasoning behind these quantifications is provided in the comments column.

TECHNICAL

RECOMMENDATION	MARKET BENEFITS	COMPLEXITY	COMMENTS
DNOs & ESO should agree a Standardised Data Template for Technical pre-qualification. This	High	Medium	High benefit to market through standardisation leading to reduced effort needed from FSPs.

template should be controlled by ENA to limit changes. Template needs to be 'agnostic'. Collaboration across Network Operators and Market Platforms will be needed. Non-mandatory Network Operator specific fields could be included to allow for any required variations.			Medium complexity due to level of collaboration across multiple parties.
The common template should be structured in a manner to allow manual input, online upload and API interface. Standard interfaces should be developed for APIs.	High	High	High benefit to market, single template can be used across multiple Network Operators. High complexity as technical resource will be needed for API standardisation.

COMMERCIAL

RECOMMENDATION	MARKET BENEFITS	COMPLEXITY	COMMENTS
Different contractual requirements within organisations may mean variations need to continue, however Network Operators should seek to align their criteria for commercial PQQ where possible and DNOs with markedly higher commercial criteria seek to reduce where possible	High	Low	High benefit to market through greater alignment. Quick win, low effort activity.
DNOs & ESO should agree a Standardised Data Template for Commercial pre-qualification. This template should be controlled by ENA to limit changes. Template needs to be 'agnostic'. Collaboration across Network Operators and Market Platforms will be needed. Non-mandatory Network Operator specific fields could be included to allow for any required variations.	Medium	High	Medium benefit to market due to one-off nature of commercial qualification. High complexity due to level of collaboration across multiple parties and increased variations between legal and procurement approaches across organisations that may not be adaptable.

4.3   Other Qualification Data

Some additional Commercial & Technical data collection occurs within the Tender/Trade/Auction stage and Post Award. This data is Network Operator or service specific and may not be suitable for standardisation across Network Operators.

Examples of these potentially exempt data fields include;

- Price information
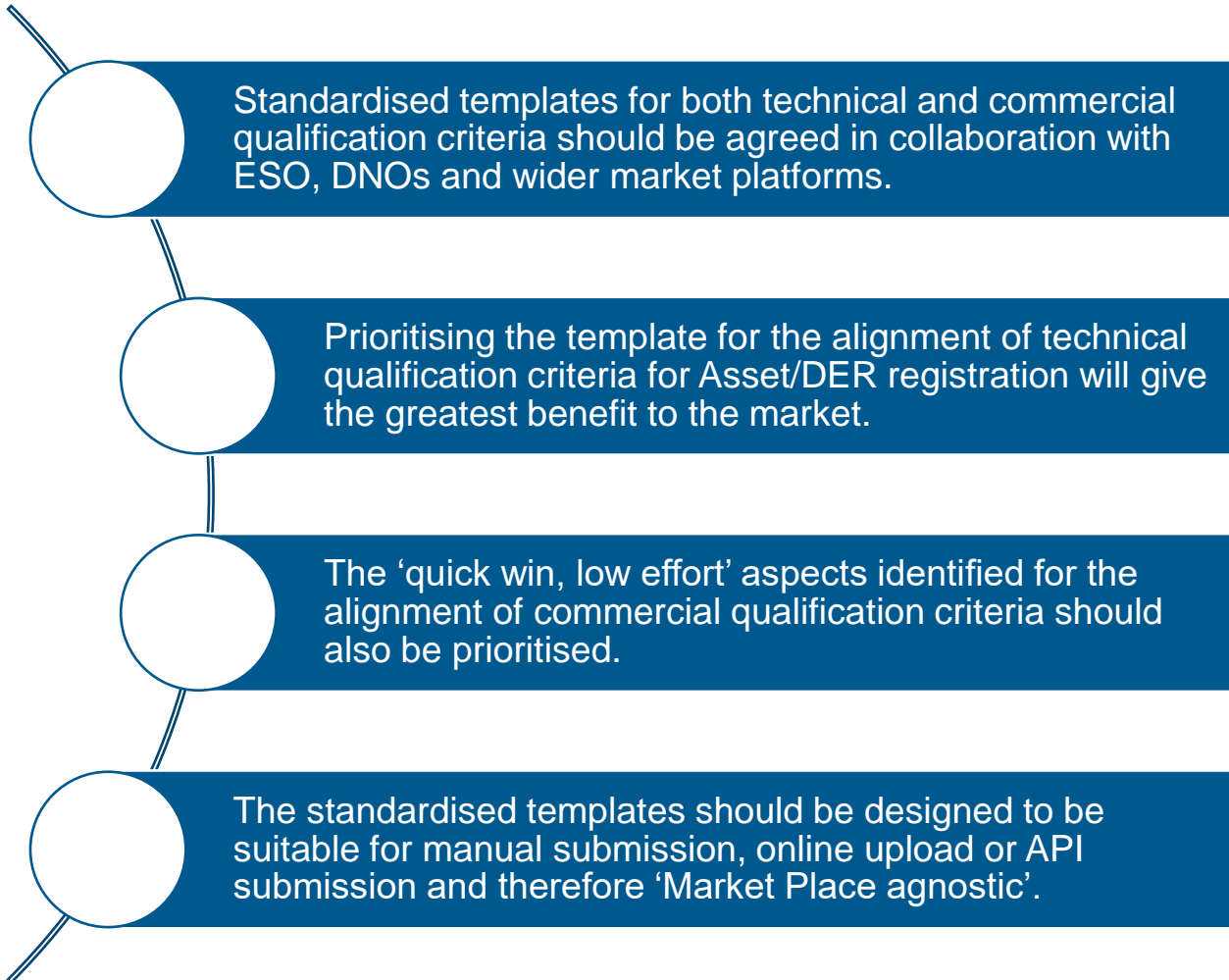- Service Windows
- Billing requirements

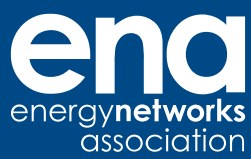| RECOMMENDATION	MARKET BENEFITS	COMPLEXITY	COMMENTS
Parallel to developing the standardised templates, Network Operators should identify data fields are exempt and ensure transparency to the market of outcomes.	High	Low	High benefit to market through greater transparency. Quick win, low effort activity.

4.4   Learning from the ESO Single Market Platform

Representatives from the ESO development team for the Single Market Platform (SMP) presented the functionality of the platform to the P2 Product Team and their learnings from the implementation. This will be useful when DNOs consider how they will look to digitalise their own pre-qualification activities.

In addition, the technical qualification parameters used in the SMP were shared. It is anticipated that these will form the basis of an initial template from which both the ESO and DNO can work on to agree a standard template for adoption by all.

5   Summary of recommendations for the alignment of pre-qualification processes

Standardised templates for both technical and commercial qualification criteria should be agreed in collaboration with ESO, DNOs and wider market platforms.

Prioritising the template for the alignment of technical qualification criteria for Asset/DER registration will give the greatest benefit to the market.

The 'quick win, low effort' aspects identified for the alignment of commercial qualification criteria should also be prioritised.

The standardised templates should be designed to be suitable for manual submission, online upload or API submission and therefore 'Market Place agnostic'.

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