



Bringing Energy
Together

ESO Draft Forward Plan 2019-21 | 14 February 2019

Introduction

The Association for Decentralised Energy welcomes the opportunity to respond to the ESO's draft forward plan for 2019-21.

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 120 members active across a range of technologies, and they include both the providers and the users of energy. Our members have expertise in demand side energy services, including demand response and storage, combined heat and power and district heating networks.

Overall

The ADE supports the ambition shown by the ESO and the progress that has been made over the last year.

The run-up to the start of its first, independent RIIO settlement will be a crucial moment to demonstrate to industry the level of ambition and impact that comes from the ESO standing up to its new, extremely powerful role. We strongly support the roles and principles that the ESO has put forward towards this. We also recognise the need for this Programme to cover an exceedingly broad range of functions. However, this means that the drafted Forward Plan risks appearing to be an overview of significant activity but without big, flagship projects that set the tone for a newly separated ESO. We would suggest that the latter is brought out more clearly and focuses on a real step-change in transparency and the establishment of competitive markets across balancing services.

Regarding transparency, this should include system needs in the short and medium term, ESO decision-making as well as significant improvements in the information National Grid collects on industry participants and in particular, newer participants such as DSR providers.

Regarding competitive markets, we fully support the Roadmaps and the significant progress already made in this area. However, we propose that the ESO stretches its ambition further towards establishing competitive procurement accessible to all who can meet the system need as the norm by the start of RIIO-2.

Finally, we propose that Ofgem reviews the definition for 'Exceeding baseline'. In many circumstances (as set out in more detail below), we would not consider that the activity constituted 'Exceeding baseline' and therefore, propose that the current definition is currently too subjective.

Questions

Do you have any comments on whether our plans are heading in the right direction to meet current and future market needs?

The ADE considers that the roles and principles set out by the ESO are heading in the right direction.

Please give us your view on whether we are targeting the right activities, for example those that will deliver most benefit for consumers?

In general, the ADE considers that the ESO is targeting the right activities. We provide more detail in what follows regarding the areas where we feel further ambition is required with proposed activities or where further activities should be considered.

We present in our plan, how our activities will meet and exceed baseline expectations between 2019-21 (see page 5 for definition of exceeding baseline expectations), do you have any comments on this?

Principle 1: Information provision

The ADE welcomes the ESO's ambition to publish further constraint and forecasting information in the first year of the 2019-21 incentive scheme.

More open data from the ESO is crucial to the industry. It is important that a common approach is used to the definition of 'shareable data' and that that definition is as broad as possible. In addition to the deliverables already set out, we would propose adding a joint consultation with the ENA on this definition by Q1 2019/20 as a deliverable.

Regarding the ESO's investment in a data portal, it will also be important to set out how data made available through the portal will function with other datasets. Therefore, we would also propose publishing a cost-benefit analysis, including this broader functionality, on investment in an ESO data portal by Q1 2019/20 as a deliverable.

The collection of good quality aggregated industry data on demand-side response is currently not well-established with very few datasets across Government, Ofgem or National Grid. Through its support to Power Responsive and in line with investment in a new data portal, we propose an additional deliverable of the ESO introducing new aggregated, public datasets regarding the composition and performance of the demand-side response sector in different markets.

Principle 2 Overall efficiency and transparency in balancing services

We support the ESO's proposal to publish more information on the current and future operability challenges through its Operability Strategy Report and more information on the Control Room's dispatch decisions. However, we consider that the emphasis should be changed regarding what data can be provided. We would propose that the deliverable for publication of operational planning data is that as much data as possible is published by the ESO and that where information is not published, the ESO should consult on its justification for withholding the information. We would also propose that the deliverable has not only a date by which consultation should begin but also a clear deadline by which this data will be made available – we would suggest Q1 2020/21.

We consider that managing RoCoF and vector shift changes and thereby, preventing additional balancing actions being taken should be business as usual for a competent system operator. We therefore do not agree that this should be considered as 'Exceeding baseline'.

We support the proposals for implementing the Ancillary Services Dispatch Platform by Q2 2019/20.

The delay in implementing Electricity Balancing System (EBS) is a disappointment and should be resolved. We are surprised therefore that resolution of this work is not included in this Forward Plan. We would ask that a specific deliverable is added that commits National Grid to resolving all remaining issues and implementation by Q1 2019/20 at the latest, if not already achieved by April 2019. This should be considered as meeting the baseline performance.

Principle 3 Rules and processes maximise competition

We propose that National Grid set out explicitly how it will move to open, competitive procurement for all products; as far as possible. The deliverable 'Deliver innovation projects to unlock demand flexibility' is currently very vague stating only that the ESO will work with stakeholders 'to unlock barriers to entry and maximise opportunities for accessible, competitive markets'. Whilst we understand that it will not be possible to state specific barriers ahead of consultation with industry, it should be possible to state success metrics that will demonstrate the ESO's impact in this area by Q4 2019/20. We propose that these are included against this deliverable. This should include, for example, a clear plan for reforming the eligibility requirements and tendering of Mandatory Frequency Response as part of introducing the new frequency response suite.

We strongly support the ESO's proposal to roll out the weekly auction trial – although we would note that completing this by Q2 2019/20 is already a delay from what was previously committed to.

We do not agree that the deadline for the report on the proposed new frequency response product suite should be Q4 2020/21. We consider that the modelling, analysis and engagement should be completed by Q4 2019/20 or the ESO should provide more detailed justification for the 2-year period. Given that this was noted in the 2018/19 Forward Plan, we also consider that this should be considered meeting baseline rather than exceeding it.

We would propose an additional deliverable regarding a day-ahead trial for FFR. This should be implemented by Q4 2020/21. We understand that the ESO would like to review the progress of the weekly-ahead trial before concrete commitments are made regarding the day-ahead trial. However, we consider that the presumption should be development of a day-ahead trial unless serious, unexpected issues arise within the weekly-ahead trial. Therefore, we would propose that a deliverable is introduced for the day-ahead trial as set out above subject to the weekly-ahead progressing without serious problems (appropriately defined).

We support the proposals for reserve products. However, we propose that the deliverable is made more specific regarding migration of STOR to the ASDP platform. In addition to the process starting by Q2 2019/20, we propose that it should be completed by Q4 2019/20.

We support the proposals regarding reactive power management and restoration services. We would propose that specific deadlines are attached to publishing the Black Start strategy and procurement methodology. We would suggest Q4 2019/20.

We support the proposals concerning the Balancing Mechanism roadmap, intermittent generation and provider experience.

Principle 4 Competition in wholesale and capacity markets

We support most proposals towards this principle.

Regarding code administration, we support the proposals but would suggest that they are made subject to any more fundamental changes being brought forward by the Code Governance Review by BEIS and Ofgem.

We also do not consider that the deliverable relating to publication of an impact assessment of the Clean Energy Package should be considered as 'Exceeding baseline' performance.

The deliverables regarding improvements to user experience of the ESO's Capacity Market systems are very vague. We propose that more specific deliverables with a clear deadline should be set out that reduce the administration participants face when applying for the Capacity Market. For example, this should include changes to enable existing CMUs to copy over their applications from one year to the next – obviously making any changes required for that year.

Principle 5 Network planning across system boundaries

We agree with most proposals towards this principle.

The deliverable 'Enhanced systems to facilitate balancing services from DER' is very vague. We would ask that more specific and measurable outputs and outcomes are proposed for this deliverable.

Regarding the Regional Development Programme identification process, we would propose that an additional deliverable to consult with industry ahead (possibly Q2 2019/20) of agreeing the process with DNOs is included. We would also propose that this is revised to meeting baseline rather than exceeding baseline.

Principle 6 Ensure efficient whole system operation

We support the proposals for whole system data exchange, enhanced customer experience and whole system thought leadership.

However, we do not agree that the roll out of Loss of Mains protection settings or defining better the respective roles and responsibilities of the ESO and the DNOs regarding voltage management constitute 'Exceeding baseline'. These deliverables should be considered as 'Meeting baseline'.

Principle 7 Facilitate timely, efficient and competitive network investments

We support the proposals for the pathfinder projects and study tools.

However, the deliverable regarding 'Enhanced communication' for the NOA and EYTS is very process-driven without any indicator regarding the key outcome of widening the reports' accessibility. We propose that an additional deliverable should be included of a short survey following the reports' publication and other engagement activities along the same lines as the survey proposed for Charging Futures Forum engagement and with additional reporting regarding the diversity of respondents.

Do you agree that our metrics will allow us to track our performance as we deliver against our plans?

Principle 1: Information provision

Regarding the metrics set out for measuring progress in 2019/20, we do not consider that the FFR information provision improvement metric is sufficiently stretching. We propose that 'Exceeds benchmark' performance should be at 'Less than 25%' of tenders being received for periods with no requirement rather than the proposed 40% and the other performance benchmarks adjusted downwards accordingly.

Firstly, we would also ask that an initial assessment is published in Q4 2019/20 setting out the interaction between procured volumes in TERRE and those in STOR to be followed by a further assessment in Q3 2020/21. Secondly, and more broadly, we would ask that an additional deliverable is introduced of publishing the ESO's decision-making across frequency response services. This would include, for example, the ESO's hedging strategy between the monthly, weekly and Mandatory Frequency Response markets, (where possible) actions taken in the Balancing Mechanism to provide sufficient headroom for Mandatory Frequency Response and volumes held in legacy contracts.

Principle 2 Overall efficiency and transparency in balancing services

We support the proposed metric for balancing cost management.

We would propose an additional metric to demonstrate the ESO's efficiency in dispatching balancing service providers. We would propose that the ESO calculates ex post the difference between actual dispatch decisions and the most optimal dispatch based on the resources available and assuming the use of automated dispatch. The methodology by which the optimal dispatch is calculated should be also be published. Inefficiency beyond a certain level should be considered below baseline expectations and then the incentive should be increased in line with how far the ESO approaches perfect efficiency.

In addition, we would also support introducing a cost benchmark metric based on averaging expenditure over the last 5 years.

Principle 3 Rules and processes maximise competition

The information given on the proposed metric for the provider journey feedback seems incomplete as no questions are included under the headings for contracting or query management.

We support the proposed metrics for demonstrating the accessibility of balancing services to non-traditional technologies.

Principle 4 Competition in wholesale and capacity markets

We agree with most proposals for metrics towards this principle.

However, we do not agree that improved performance across all three codes that the ESO administers should be considered to go above and beyond expected performance. We propose that improvement should be considered as meeting the baseline with significant improvement (clearly defined) as exceeding the baseline.

We agree with a survey approach for demonstrating industry engagement with the Charging Futures Forum. However, we would propose that a measure of the diversity of industry participants is also included so that the ESO's impact on those who have less experience with network charging can be understood better.

Principle 5 Network planning across system boundaries

It is somewhat unclear in the draft Forward Plan whether any increase in the level of DER MW connected to the distribution networks would constitute meeting or even exceeding the ESO's performance baseline. The ESO should not receive incentive payments for investment decisions driven by the broader policy framework or improvements actions taken by the DNOs. Therefore, we would propose that this metric is revised so that it more closely targets only the actions that the ESO is able to do to facilitate distribution connections.

Principle 6 Ensure efficient whole system operation

We agree with the proposals towards this principle.

Principle 7 Facilitate timely, efficient and competitive network investments

We support the metric set out for measuring the removal of barriers to non-build solutions in the NOA.

For further information please contact:

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