

Power Responsive Steering Group

Note of Twenty Fifth Meeting

7th April 2022, 13:00-15:30 hrs

*This note was prepared by National Grid Electricity System Operator (ESO)
This meeting was hosted virtually.*

1. Overview

This Steering Group meeting focused on three key areas, the Distribution Networks ED2 Business Plans, the ESO's dispatch transparency data and the revised Power Responsive Strategy.

The group heard how DNO's were setting out ambitions to use flexibility to significantly reduce network reinforcement costs, increase their flexibility market offerings and move closer to real time procurement all whilst becoming more transparent throughout the ED2 period. The ESO presented their analysis on control room skip rate percentages and reasonings which led to an in-depth discussion around prevention and how inefficiencies can be tackled moving forwards whilst the Power Responsive team presented new strategy proposals such as working groups focused on demand side flexibility blockers and a review of the current Steering Group membership.

2. DSF Horizon Scan

BEIS covered the following current and upcoming policy activities:

- [British Energy Security Strategy](#) has now been published. The objectives look at shorter term issues such as responding to the Russia and Ukraine crisis and it also ensures in the longer term that the UK's Energy Strategy will achieve net zero.

Key areas of the strategy include:

- Setting up a new nuclear public body
 - Looking to double the ambition for Hydrogen to 10GW by 2030
 - New oil and gas licensing to be launched later in 2022
 - Increase the ambition to offshore wind to 50GW by 2030 which also increases the ambition for floating wind within that ambition.
- Following the consultation in 2021, BEIS and Ofgem have released a [response document](#) that sets out the role of the Future System Operator which will build on the current functions of the ESO and take on some of the roles from the Gas System Operator.

Other notable points mentioned were:

- The FSO will also look at whole system planning and development.
 - It will have a statutory advisory duty to provide advice to Ofgem and Government to assist in reaching policy targets.
 - The organisational model will make the FSO a public sector corporation which allows it operational independence from Government but will continue to be regulated by Ofgem.
- Responses to the [Energy Code Reform consultation](#) have been published stating that Ofgem will be given a new strategic function for codes (subject to primary legislation) and will then establish a code manager licensing regime which will give Ofgem new functions under this such as Code Administrators and Code Panels will be replaced by Code Managers.

Ofgem covered the following current and upcoming policy activities:

- Ofgem are seeking feedback via a [call for evidence](#) on the ESO's performance over the past year to feed into the mid scheme review in May and June.

- A call for input will be issued in April on the future for local energy institutions and governance. This is part of a review of the DSO's current arrangements and whether they will help get to net zero in the best possible way. Stakeholder workshops will also follow during the review period.

3. Distribution Network Operators ED2 Key Messages for Flexibility

As the focus of Power Responsive continues to shift towards domestic flexibility as a growing market we heard from Western Power Distribution who provided a consolidated view of the near-term flexibility market value and the key messages that have come out of recent business plans and policy changes to help the industry meet net zero ambitions.

The next price control period for DNO's (2023-2028) is characterized by a flexibility first approach and DNO's are keen to show that the right market opportunities are being created and taken to give confidence to the market. Going forwards, the DNO's are looking to publish documents that show the decision-making processes behind network changes that address areas such as whether network reinforcement work is necessary or if the use of flexibility services would be enough to alleviate operability challenges.

During the ED1 period DNO's have demonstrated that flexibility does work and can be used to defer thermal reinforcement that would otherwise have to be taken and throughout the ED2 period, WPD is forecasting a £260m spend on conventional reinforcement but this would have been £340m if it hadn't had been for £80m of spend being deferred by flexibility. Roughly a third of WPD's primary network reinforcement will be deferred through flexibility through the ED2 period.

Across all plans you will see that DNO's are taking a tiered approach to flexibility performance with longer term contracts, strike prices agreed far ahead of time alongside intra year shorter term contracts and also the exploration of real time flexibility markets such as day ahead. DNO's are also pursuing energy efficiency as an alternative to flexibility as its captured within similar incentives and revenues. They are also looking at whole system electricity products to make sure they are all tied together and also reactive power for resilience.

WPD also highlighted a number of steps being taken by all DNO's to be transparent about their decisions through external engagement, publications, data, compliance functions within the businesses, external audits and conflict management plans.

You can view the WPD Business plan [here](#).

4. ESO Dispatch Data Transparency

The ESO attended the meeting to present data which provides visibility and explanations behind the actions that are taken within the control room when dispatching units in economic order and more specifically why assets may have been 'skipped' within the economic order.

The ESO explained the complexity of dispatching units when accounting for other factors within the control room that may impact economic dispatch orders and supported the presentation with data that showed a very small number of units are skipped and that each one had an individual circumstance behind it which meant there were no overarching themes or comparisons between skips. The ESO then held a discussion with the group to answer any questions and committed to continually reviewing skip data to assess future root causes.

The data showed the group that a very small number of units are skipped and that the reasons behind each skip were individual and did not show any trends or overarching themes as to why units may be skipped.

View dispatch transparency data [here](#).

5. Power Responsive Strategy

Since the last Steering Group in December 2021, the Power Responsive team have been conducting interviews with members around strategy reform to gather members sentiment and insight on how the overall programme should move forwards. Members agreed that the programme is now more relevant than ever due to the pace of change within the energy industry and that the existing programme ambitions still reflected the goals of members.

Additional feedback themes from interviews suggested:

- An increased focus on domestic/local flexibility and Industrial and Commercial providers
- Consider how we engage with domestic flexibility providers
- Expanding the current membership to include new and upcoming DSF service providers
- There are still lots of barriers for DSF providers that need tackling and working groups could be a way of addressing these
- Continue to amplify new DNO opportunities
- Continue to support net zero ambitions
- Become more goal focused and action orientated
- Ensure smaller less represented voices are heard within the industry

The group discussed the feedback and agreed that it was a fair representation of their views and therefore the Power Responsive team are going to update and publish the new strategy and membership list ahead of the next Steering Group meeting.

6. New Power Responsive Working Group

In April the ESO publicly announced its intentions during its Markets Event to launch a working group under the Power Responsive programme to look at operational metering standards. The ESO are looking open up markets by using probabilistic and asynchronous techniques to provide aggregated metering signals from smaller assets to provide reliable data that will meet regulatory requirements.

The drivers for change behind this work are that historically operational metering standards have been developed for large transmission power stations and as we see larger volumes of commercialized distributed energy resources coming onto the grid these standards need to evolve to facilitate these new providers.

Focus areas within the operational metering working group could include:

- Ensure metering requirements are adequate and proportional
- Developing and communicating appropriate metering specifications to manufacturers early to guide the development of new hardware and drive supply chain efficiencies
- The handling and processing of metering data by the ESO and third parties
- Stakeholder engagement
- An initial focus on the Balancing Mechanism

The Power Responsive working group will own this work from start to finish and act as a gateway for stakeholder engagement with initial scoping work already ongoing. The working group will be established over the coming months and further communications will be published in regard to participation.

6. AOB

Power Responsive has now released the [2021 Annual Report](#) which reflects on policy, regulatory and market developments over the past 12 months as well as trends in demand side flexibility participation. This report is designed to help stakeholders navigate industry change and complexity and support the continued development of demand side participation in flexibility markets and can be viewed [here](#).