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17 December 2021

Dear Laura,

**Call for Input on Ofgem's "Guidance for reporting requirements under Electricity Distribution Licence Condition 31E: Procurement and use of Distribution Flexibility Services"**

I write with Northern Powergrid's response to your Call for Input as a follow-up to the informal responses we have already offered us as part of the process of further developing the reporting requirements for Licence Condition 31E. We have structured our responses around the six questions posed in your letter of 22 November. Our response is largely focussed on areas which were not covered in our previous informal responses that have informed your Call for Input.

**Key points**

- The draft guidance for both the Flexibility Procurement Statement and Flexibility Procurement Report is well constructed and we are supportive of the approach that has been taken.
  - Our suggested amendments and additions are therefore intended as points of clarification or slight adjustments rather than seeking significant alterations to the guidance.
- As a network operator, our intended use cases for the information in both the Flexibility Procurement Statement and Procurement Report are primarily centred on understanding the size, composition and evolution of distribution flexibility markets in Great Britain (GB) and enhancing our awareness of industry processes and best practice in the procurement and operation of flexibility services.
  - The format and content of the reporting templates and Supporting Data template proposed in the guidance are well suited to supporting these use cases.
- Information about the general growth and composition of distribution flexibility markets does not, in our view, need to be expressed in high geographical granularity.

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- However, where information is intended to provide insight into the specific commercial opportunities available or operational decisions made to flexibility providers, then a higher degree of geographical specificity may be needed.
- We expect that at-a-glance summaries or other aggregated data presentations are likely to be sufficient for many of the use cases that we or our stakeholders have for C31E Licence reporting.
  - These kinds of summaries are often more accessible than large primary data sets, so we would advocate that primary data is only required where there is a clearly defined, high value stakeholder use case for it.

## Detailed responses

### **1. Does the Guidance require specific amendments or additions?**

Overall we believe that draft guidance for both the Flexibility Procurement Statement and Flexibility Procurement Report is well constructed, covering the main topics of interest within accessible reporting templates. We also welcome the similarity in the proposed structure of the 2022/23 Flexibility Procurement Statement with that of the 2021/22 statement, as this provides a clear basis for comparison across regulatory years. Our specific feedback below is, therefore, chiefly concerned with points of clarification or smaller amendments rather than suggesting any significant changes to the draft guidance:

#### **Flexibility Procurement Statement Guidance**

- 2.9: a minor amendment may be needed as ‘reinforcement deferral’ appears to have slipped on to two lines and is therefore appearing as two separate headings. More significantly, the inclusion of ‘pre-fault’ and ‘post-fault’ introduces a degree of overlap with section 2.11 as the flexibility product requirements indicated by a given DNO should show whether a pre or post-fault product is sought. Alternately it may be helpful for DNOs to indicate against the other headings in 2.9 (e.g. ‘reinforcement deferral’, ‘maintenance’) whether a pre or post fault service is required (if known) rather than having them as separate headings.
- 2.14: it may be helpful to further clarify how the information sought under 2.14 is distinct from that sought under 2.21(c) to prevent either duplication of content or important information becoming dispersed through different sections in the report.
- It may be helpful to merge 2.16 and 2.17 to prevent duplication of content. We would recommend having a single section describing the various stages of DNO procurement processes and associated timelines. Including this combined section in ‘Tender Process’ would allow for the following ‘Stakeholder Engagement’ section to be focussed more heavily on the wider stakeholder engagement and communication activities that DNOs are planning in the coming regulatory year.
- 2.21: further clarification of the content that is sought under section (e) would help to ensure consistent licensee feedback as we were unsure on our initial reading as to the information being sought. As an example of possible interpretations, is this section requiring licensees to set out any secondary optioneering processes that are employed to further test the outcomes of their core optioneering process or a wider discussion of the wider qualitative factors and management decisions that from part of their option selection at a given site?

## Flexibility Procurement Report Guidance and Supporting Data Template

- 3.8(c): where there is a requirement to state the projected flexibility services procured from the preceding Flexibility Procurement Statement compared to actual, is the projected figure intended to be interpreted simply as the volume of flexibility requirement stated in the Procurement Statement? There is not currently a section for procurement projections (e.g. forecast of contracted volumes) in the Procurement Statement guidance. Therefore, a backward looking comparison would not be easily possible, at least until this requirement is introduced in to the Procurement Statement. Additionally, further flexibility requirements may have been identified during the regulatory year (or just not fully known and quantified at time of statement publication) and therefore procurement projection figures may become skewed.
- 3.8(d): further clarification of the locational granularity required may be helpful in ensuring consistent licensee feedback.
- 3.13(g): as with our feedback on 2.21(e) of the Flexibility Procurement Statement (see above) we would appreciate further clarification as to the information that is sought under this requirement.
- With regard to the Supporting Data Template, our feedback is limited given we see that our previous input has been reflected already. For the purposes of this Call for Input we would only refer back to our previous general comments that:
  - Tight definitions of specific terms and input fields (potentially in supporting instructions or a glossary) might help ensure more consistent inputs for the supporting data template.
  - We are unsure of the requirement for line level reporting of flexibility service dispatch events. We would suggest that aggregated information (e.g. volume dispatched by technology type or primary reason for dispatching one provider over another) may provide a similar level of value without resulting in exponential multiplication of data volumes as flexibility volumes and dispatch frequency increase.

### ***2. How would you propose to use the information provided through the Distribution Flexibility Services Procurement Statement? Do the contents and format proposed in this Guidance support or complicate this use case?***

As a network operator, our primary use cases for the information provided by the Flexibility Procurement Statements of other licensees would be as follows:

- Comparing our procurement intentions and approaches with those of other GB DNOs to understand key points of similarity and divergence;
- Assessing the extent to which flexibility procurement processes are becoming aligned and standardised across our industry and identifying those parts of the procurement process where there is greatest opportunity to push for further alignment;
- Gathering examples of industry best practice to inform the development of our own flexibility procurement approaches for future years; and
- Understanding the likely direction and scale of growth in GB distribution flexibility markets in the coming regulatory year.

Given the consistent format of outputs required and the similarity to the template used for 2021/22 Flexibility Procurement Statements, the content and format of the proposed guidance is well suited to supporting our core use cases.

**3. How would you propose to use the information provided through the Distribution Flexibility Services Procurement Report? Do the contents and format proposed in this Guidance support or complicate this use case?**

As a network operator, our primary use cases for the information provided by the Flexibility Procurement Reports of other licensees would be as follows:

- Enhancing our market intelligence relating to the development of GB distribution flexibility markets (e.g. flexibility product mix offered to market, procurement success, changes in market liquidity, agreed prices, dispatch volumes and other similar data points);
- Understanding current industry best practice in key reporting areas (e.g. carbon reporting, network optioneering and stakeholder engagement) to seek further opportunities to improve or align our flexibility procurement and operations approaches; and
- Tracking the growth and evolution of GB distribution flexibility markets over time via successive reporting iterations as C31E reporting processes mature.

The proposed format and content of the Flexibility Procurement Report for 2022/23 is supportive of the use cases above. Particularly, the blend of standardised data templates and structured supporting narratives will be helpful in providing a breadth of complementary qualitative and quantitative insights in to the growth of distribution flexibility markets in GB.

**4. What level of locational granularity is preferable to understand flexibility procurement activity, and for what applications? At what level of granularity are the proposed use cases limited?**

Our expectation based on discussions with market participants and other stakeholders is that the degree of locational granularity required in information reported will depend significantly on the specific information provided and the associated use case(s). However, we offer the following general observations:

- For aggregated summaries which intend to demonstrate the composition and / or evolution of distribution flexibility markets (e.g. volume, technology composition, product mix etc.), reporting per DNO or per licence area would be sufficient for the majority of use cases. Having sufficient granularity of other reporting dimensions (e.g. product mix) is probably more important than geographical granularity given the overall trends impacting distribution flexibility markets are not specific to one particular area.
- For other use cases, higher geographical granularity is likely to be required. This is most relevant for reporting covering commercial and operational factors that are of interest to current or prospective providers – for example the location of current and future procurement or dispatch related data. Distribution flexibility markets are highly geographically specific and, therefore, aggregated information on factors such as the magnitude of flexibility requirements or the volume of flexibility dispatched over a given period of time needs to be available at granular geographical level.

As a general rule, information about the general growth and composition of distribution flexibility markets does not, in our view, need to be expressed in high geographical granularity. Where information is intended to provide more insight in to the specific commercial opportunities available or operational decisions made to flexibility providers, then a higher degree of geographical specificity may be needed.

**5. How would you propose use the data provided in the Supporting Data template?**

Our core use cases for the Supporting Data template would align with those set out in our answer to question 3. We would seek to combine and analyse the data submitted by licensees to understand the current state and evolution of distribution flexibility markets across key indicators (e.g. volumes procured and dispatched, number of bidders per tender, mix of DER technologies participating etc.). We would combine this data analysis with our own data as well as qualitative insights from our own internal experts, our stakeholders and other licensee reports to build a richer picture of the evolution of distribution flexibility markets in GB.

**6. Do you have a strong preference for the provision of primary data, at a glance summaries, or other means of data sharing?**

For the use cases we have outlined in our responses to questions 2 and 3, at-a-glance summaries or other aggregated forms of information would largely be sufficient. These kinds of summaries are often more accessible than large primary data sets, so we would advocate that primary data is only required where there is a clearly defined, high value stakeholder use case for it. However, we recognise the high whole system value of providing detailed DSO and flexibility-related data to industry where it is needed. However, we believe this data may be better provided via data portals or other platforms rather than static annual reporting cycles. For example, our engagement with the ESO earlier this year (as referenced in the stakeholder engagement summary we provided on 16 September) highlighted recent investment in their market-facing data platform as key in being able to supply high frequency, high-volumes of standardised information regarding flexibility procurement (e.g. volumes, pricing) to market. Stakeholder requirements for primary data are better addressed via open data portals or other similar tools rather than through static annual reporting. It is for this reason that we have proposed new data interfaces in our ED2 business plan to move towards machine to machine capability.

I hope that this feedback is useful in shaping your approach in this important area of policy. Please do not hesitate to contact us if you have any questions about any of the points raised or wish to discuss our feedback in more detail.

Yours sincerely,



Jim Cardwell  
Head of Policy Development