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By email only to: Flexibility@ofgem.gov.uk;

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Dear Louise

C31E Guidance – Call for Input

This letter is on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. We are GB's largest electricity Distribution Network Operator (DNO), dedicated to delivering a safe, secure, and sustainable electricity supply to 8.4 million homes and businesses.

Further to our initial feedback on the Flexibility Services Procurement Report Supporting Data template provided on 8 November 2021, we are now responding to the formal call for input on the C31E Guidance.

At UK Power Networks, we are fully committed to establishing openness and transparency in flexibility markets. We therefore welcome Ofgem's initiative to create a holistic set of reporting requirements through the new Licence Condition 31E and the Flexibility Procurement and Use Reporting Guidance. Within these requirements, we recognise that it is important for distribution licensees to provide a fair and accurate representation of their procurement and dispatch activities and promote consistency across submissions. In this response we outline a number of recommendations that we believe will help ensure robust reporting under the C31E requirements.

If you have any queries please do not hesitate to contact Stathis Mokkas and Paul Measday in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Hope', with a stylized flourish at the end.

James Hope
Head of Regulation & Regulatory Finance
UK Power Networks

Copy: Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks
Sotiris Georgiopoulos, Head of Smart Grid Development, UK Power Networks
Stathis Mokkas, Energy Markets Lead, UK Power Networks

Appendix

Q1. Does the Guidance require specific amendments or additions?

We suggest the following amendments to Section 2 of the Guidance: The Distribution Flexibility Services Procurement and Use Statement:

Visibility of flexibility needs

We are committed to providing an indication of our flexibility needs in the short- and long-term to allow potential flexibility providers to assess our needs and stimulate development of flexibility solutions where they are needed the most. For clarity we suggest that short-term needs are defined (in clause 2.5) as the forthcoming regulatory year (for example 1 April 2022 to 31 March 2023) and long-term needs as subsequent regulatory years.

We recognise long-term forecasts contribute to flexibility services as they can provide an early indication to flexibility providers of future opportunities and available scope. We forecast and monitor future load growth, which helps us identify where assets might exceed their technical limits due to expected increases in load or generation growth and can then be subsequently enrolled into the flexibility tender process.

Ease of reporting

We are fully committed to ensuring details of the need for flexibility services and system for the upcoming regulatory year are provided. In certain instances, the six categories that are being suggested could be interpreted in different ways as pre-fault and post-fault are implementations, whilst maintenance, unplanned interruptions, are use cases. This means they partially overlap and are not mutually exclusive. For example, if the network is in need of reinforcement it could also be classified as deferral.

We recommend structuring the headings in clause 2.9 and 2.10 as a table to capture all flexibility products:

	Reinforcement (Deferral)	Maintenance	Unplanned interruptions
Pre-fault			
Post-fault			

However, we acknowledge that specifying the driver for the service could relate to other needs, e.g. reinforcement deferral as included in the consultation document. Further explanations could be added at a second level, whilst managing the reporting burden.

Economic procurement and dispatch

We are fully committed to ensuring details of the pricing strategy are provided and broken down to include the products and zones they apply to. When providing this information, we think it would be beneficial for flexibility stakeholders to be able to distinguish between a competitive and non-competitive pricing strategy.

For example, we use revenue range information to help providers establish their bidding strategies, develop business cases, and to conduct market analysis. This has resulted in more competitive bids being accepted. Therefore, we recommend including in clause 2.19 the details of how prices are being competitively determined.

Stakeholder engagement

We currently collect feedback from stakeholders on an on-going basis, consistent with the requirements of C31E, through the various engagement methods, including bilateral meetings, emails, phone calls, or through in-person discussions at events. To further encourage active engagement with stakeholders we

suggest that clause 2.19 of the Guidance includes a requirement to provide links to DNO contact information. Stakeholders use this information to join our flexibility mailing list as well as request information through our Flexibility Services mailbox¹ for which a Service Level Agreement (SLA) between UK Power Networks and Flexibility Providers is in place.

Detailed quantitative assessment

We are fully committed to ensuring details of financial viability of the procurement flexibility services are provided to ensure tendering processes are objective, transparent, and market-based. When providing details of the comprehensive quantitative assessment we think it is also important to provide a clear view of a cost-benefit analysis (CBA) as price signals are directly linked to the value of reinforcement deferral at each site through the CBA. Therefore, we recommend the clause 2.21 of the Guidance includes a requirement to provide such details.

We suggest the following amendments to Section 3 of the Guidance: The Distribution Flexibility Services Procurement and Use Report:

Granularity

We are fully committed to establishing openness and transparency in reporting of procurement data. We recognise that it is important for distribution licensees to provide a fair and accurate representation of their procurement and dispatch activities and promote consistency across submissions. This information will help flexibility providers to understand distribution flexibility requirements in greater depth.

Therefore, we believe it is also important to include sufficient locational granularity (further details to support this statement are provided in our response to Question 4) and we recommend amending clause 3.8 c) of the Guidance to include locational data.

Transparency and consistency

We are fully supportive of providing a summary of flexibility services in the Procurement Report as this helps further develop the DSO flexibility market and ensures active participation of prospective flexibility providers. For transparency and consistency, we believe that all the supporting data that is provided in the Procurement Report should also be included in the accompanying data template. For example, clause 3.8 d) states licensees should provide a summary organised by product and by location of the flexibility services tendered in the preceding twelve months. For ease of reporting, we propose that a summary of these data points should also be provided in the supporting worksheet for providers to understand how needs are being met or where opportunities remain.

Contracted vs dispatchable

We are fully supportive of including summary details of the technology type that was tendered in the Ongoing Report, as it helps distinguish which solutions are dispatchable, compared to non-dispatchable. We also believe that information on the derating factors that apply for different flexibility assets as per the work progressed through the ENA Open Networks WS1A P7 should also be provided. This level of transparency ensures consistent reporting and appropriate remuneration for genuine flexible assets, such as batteries, compared to other DER that have reduced flexible capacity as they are practically non-dispatchable.

Therefore, we recommend including a requirement in clause 3.8 d), for a summary reporting the different technology types procured, with a distinction between dispatchable and non-dispatchable generation and the respective derating factors.

¹ [Service Level Agreement \(SLA\) Template \(ukpowernetworks.co.uk\)](https://ukpowernetworks.co.uk)

Carbon reporting

Following Government's recent objective to decarbonise the UK's power system by 2035², we acknowledge the need to develop methodologies that support the policy objectives. Therefore, we support increasing the granularity of data relating to the carbon intensity of flexibility services. Such improvements would facilitate investment in low carbon flexibility resources which will deliver a more efficient dispatch and system operation in the long run.³ We have provided public information on the technology of the flexibility service providers, which indicate the carbon intensity of their service.

Consistently with this, we are proposing to categorise our dispatch volumes (MWh) by technology type and apply industry recognised carbon intensity factors to calculate the overall carbon emissions of dispatch activities. We also proposing to disaggregate dispatchable from non-dispatchable generation. Non-dispatchable generation is typically standalone renewables which would be delivering their output regardless of being under a flexibility contract and therefore inclusion of inflexible generation can lead to artificial inflation of any flexibility service carbon performance. The table below is an illustrative example of this.

Technology Type	Generation Type	Dispatch (MWh)	Carbon Intensity (gCO ₂ /MWh) ⁴	Total estimated carbon emissions
Gas OCGT	Dispatchable	20	0.651	13.02
Gas CCGT	Dispatchable	30	0.394	11.82
Solar	Non-dispatchable	25	0	0

This not yet a fully developed methodology but it will help inform the collaboration with other stakeholders and inform the development of consistent methodologies. As part of the work at the ENA ON WS1A in 2022 we will work with other DNOs and stakeholders to develop the required level of carbon reporting.

We suggest the following additions to the Guidance:

Temporal granularity

We are fully committed to establishing openness and transparency in flexibility markets and therefore welcome locational granularity as discussed in Question 4. Worksheet 3 Procurement and the Guidance report units of power without a temporal component and we believe it is important to also include this metric to highlight temporal differences by each flexibility service which will not be apparent from just unit of power.

The following is an illustrative example. A 10MW generator that is dispatched for one day across the reporting year, versus a 10MW generator that is dispatched for five hours every day during the winter would show as the same without a temporal component but there are significant differences in terms of potential cost and opportunities for flexibility providers.

We recommend amending clause 3.8 a) in the Guidance and the Supporting Data template to compare contracted MW for the prior procurement statement against actual dispatch volumes in MWh.

² [Plans unveiled to decarbonise UK power system by 2035 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/plans-unveiled-to-decarbonise-uk-power-system-by-2035)

³ [Accurately Tracking Carbon in Electricity Markets \(elexon.co.uk\)](https://www.elexon.co.uk/accurately-tracking-carbon-in-electricity-markets)

⁴ <https://github.com/carbon-intensity/methodology/raw/master/Carbon%20Intensity%20Forecast%20Methodology.pdf>

Glossary

Certain data fields in the reporting template could be interpreted in different ways by licensees leading to reported figures that are not comparable and therefore could be misinterpreted. Taking capacity as an example, it could be interpreted in multiple ways:

- Nameplate capacity: the maximum export and import capacity of the site(s)
- De-rated capacity: an estimate of the export or import level of the asset for a given time
- Maximum flexible capacity: the maximum amount that their generation or consumption can be adjusted relative to an assumed baseline generation or consumption level
- Firm flexible capacity: a committed level of generation or consumption adjustment that can be delivered on request relative to their baseline generation or consumption level

We therefore recommend a clarification to each data field as a glossary within the Guidance document. We have also added our amendments to the supporting data template.

We suggest the following additions to the Supporting Data template:

We are fully committed to establishing consistent reporting and welcome the reporting requirements through the C31E. To increase consistency, transparency and ease of reporting we have suggested amendments in red in the supporting data template accompanied by our rational in the bubble comments (see Figure 1 below).

Figure 1: Supporting Data template

Secondary Technology (where applicable)	Dispatchable/non- dispatchable	Bid outcome	Flexible Unit reference	Firm/non-firm capacity	Flexible Capacity
(dropdown)		(dropdown)			MW
Rahim, Zahin: For example, when procuring for a demand constraint, a solution which <u>cannot</u> increase generation/decrease demand in response to a DSO instruction closer to real-time, e.g. generators that cannot turn-up on request, is not effective at reducing the constraint. Payments to such solutions may not be efficient.					

Q2. 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?

Stakeholders have told us that the Distribution Flexibility Services Procurement Statement helps inform them about our flexibility services. As it provides information relating to DSO flexibility markets in the short- and longer-term, we believe it facilitates active participation of prospective flexibility providers and improves the efficiency of other energy markets. Therefore, we expect that this Guidance along with the proposed amendments would support further the development of flexibility services.

Q3. 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?

The Distribution Flexibility Services Procurement Report helps reassure industry stakeholders and flexibility providers that flexibility services have been efficiently procured. Stakeholders have told us they recognise the importance of providing them with comprehensive post-tender information. This information has been used by providers to help them establish their bidding strategies, develop business cases, and to conduct

market analysis. For example stakeholders have told us they would like to see dispatch volumes because it provides visibility of the actual dispatch volume over a given period. We have incorporated this feedback in our post-tender report. Therefore, we expect that this Guidance along with the proposed amendments would support further the development of flexibility services.

Q4. 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?

We are fully committed to establishing openness and transparency in flexibility markets and therefore welcome locational granularity. More granular data provides a fair and accurate representation of procurement and dispatch activities at a local level. It allows stakeholders to better analyse and verify summary statistics which helps them understand where future opportunities might be and strengthen their business case.

Worksheets 3 and 4 (Procurement and Dispatch) report at the bid-level and per product type (e.g. Sustain, Dynamic and Secure), whilst the Summary worksheet reports at the DNO aggregate-level. We believe it is important to also include a zone-level summary worksheet to highlight remaining market opportunities and status of each zone which will not be apparent from the aggregate figures.

The below table is an illustrative example. At the aggregate level, 20MW is procured against a requirement of 15MW implying that all requirements are met, however this is made up of significant over-procurement at Zone A and under-procurement at Zones B and C. By reporting at zone level, stakeholders can identify where the opportunities remain and it could also highlight different DNO procurement practices.

By extension, we also recommend a column to capture requirements from each tender round in order to populate the “*requirement*” field in this zone-by-zone summary worksheet and the “*requirement unmet*” field from the current Summary worksheet.

Table 2: Example of Flexibility Procurement against Requirements

Licence area	Service location	Product	Constraint Type	Delivery Year 21/22				
				Contracted in prior years (MW)	Tendered in reporting year (MW)	Contracted in reporting year (MW)	Remaining requirement (MW)	Dispatched (MWh)
EPN	Grid Supply Point							
	Location A	Secure	Demand	10	0	0	0	50
	Location B	Secure	Demand	20	2	1	1	100
SPN	Location C	Dynamic	Demand	30	10	5	5	150

We have incorporated a locational summary of procured volumes against requirements in the Supporting Data template.

Q5. How would you propose use the data provided in the Supporting Data template?

Similar to our response in Question 2 and 3, the Supporting Data template helps inform industry stakeholders and supports flexibility providers in identifying real system needs. In addition, the template provides flexibility providers with more granularity. More granular data provides a fair and accurate representation of procurement and dispatch activities at a local level. Also, it allows stakeholders to better analyse and verify summary statistics which helps them understand where future opportunities might be and strengthen their business case. Therefore, it allows providers develop assets where they are needed. As this promotes the efficiency of the flexibility services, it will benefit consumers through the reduction in the flexibility services costs.

Q6. Do you have a strong preference for the provision of primary data, at a glance summaries, or other means of data sharing?

We are fully committed to establishing an approach to share data for flexibility providers. We currently use multiple avenues to share data. For example, through the Piclo Flex⁵ platform, which is an independent provider and openly accessible to all stakeholders. We also publish historic tender information through the Open Data Portal⁶ to increase access to market information and provide additional routes for participation. The Portal brings together thousands of datasets from a vast range of sources to provide visibility of our network assets, where they are, what capacity they have and how they are being used. The platform is aimed at helping everyone from local authorities to electric vehicle chargepoint installers, renewable energy generators, flexibility providers and anyone with an interest in low carbon technology.

Before we provide a view on the provision of primary data, we would appreciate more clarity on how it is expected to be developed.

⁵ [Piclo Flex](#)

⁶ [Open Data | UK Power Networks](#)