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Sent by email to: Flexibility@ofgem.gov.uk

Dear Laura

C31E Guidance – Call for Input

Thank you for the opportunity to provide feedback on Ofgem’s “Guidance for reporting requirements under Electricity Distribution Licence Condition 31E: Procurement and use of Distribution Flexibility Services”. The addition of Condition 31E was an important step for us because of the ways in which it obliges all Distribution Network Operators (DNOs) to procure and use flexibility, where economic and using market-based procedures.

We welcome Ofgem’s introduction of reporting guidance. The content of the 2021 Distribution Flexibility Services Procurement Statements varied between DNOs and several DNOs’ statements were lacking in numeric data. We therefore support Ofgem’s proposal to standardise information provision in the 31E reports. Timeliness of publication and signposting to the location of the reports both also need improving.

Q1. Does the Guidance require specific amendments or additions?

The Guidance should ensure that reports are published at a consistent time and not significantly later than the date at which they are submitted to Ofgem. They should also be made easier to find. In 2021 one DNO published ahead of the mandatory submission date and proactively shared the link with market participants. This was extremely positive. For other DNOs, the reports did not appear publicly visible for some time and/or were hard to find. Section 1.21 of the Guidance needs updating so that Licensees understand the need to publish promptly and in an obvious location.

Section 2.8 - in addition to volumes for any multi-year tenders, DNOs should provide forecast multi-year volumes for short-term tenders, where it is expected that these will be repeated on a regular basis. This is important to inform investment decisions. In the workshop slides (slide 5), there was a quote that said “FSPs wanted longer term contracts for certainty of revenue”.

We do welcome a longer-term indication of procurement volumes to support investment, but it is not always the case that providers want to be tied into long term contracts. In the commercial DSR market where we act as an aggregator, many of our customers cannot commit to long-term contracts in case the operational needs of their business change. There should be a mix of contract lengths.

Section 2.21 – Where the Common Evaluation Model (CEM) tool developed by Open Networks has been used to determine forecasts of procurement needs, then the statement should provide links to the completed CEM templates for the relevant location.

Section 3.13 – As above, for all locations where the CEM tool has been used, to evaluate the economic viability of procurement, the completed CEM template should be published. It is not sufficient for the DNO to just say that it used the CEM tool and the result was X MW or £X. We understand through Open Networks that all DNOs are supposed to publish the completed template for each location, but it is not clear if they all are. DNOs should make it clearer where these are located on their websites. It is important that these are published for accountability and for flexibility providers to build a better picture of the demand for flexibility (understanding how the economic viability decision was made is a part of this).

The Guidance could reference the ongoing work in Open Networks to improve the CEM tool to account for the option value of flexibility.

We believe data should be published by procurement zone – see our answer to Q4.

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?

We will use the information to inform our business decisions around asset and aggregation service development. We will use the information in discussions with customers about the opportunities available to them in flexibility markets. We will also use it for compliance with the ADE's Flex Assure code of conduct and compliance scheme for flexibility providers, where the use of assumptions from verifiable sources is recommended¹.

The contents and format support the use case, subject to the comments we have made under Q1 and Q4 (locational granularity).

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?

For the same reasons as Q2. It will also give us confidence that DNOs are performing to meet their licence and RIIO obligations.

The Procurement Report should contain an explanation for underperformance against forecasts in previous Procurement Statements.

The contents and format support the use case, subject to the comments we have made under Q1 and Q4 (locational granularity).

¹ https://www.flexassure.org/images/Flex_Assure_Code_of_Conduct_Final.pdf – Section 2.1.2 for example.

Q4. What level of locational granularity is preferable to understand flexibility procurement activity, and what applications? At what level of granularity are the proposed use cases limited?

DNO procurement of flexibility to date has been very post-code specific. We therefore need this level of locational granularity. We need to use this data to convince our customers to invest in providing DNO services. How can we convince our customers using Grid Supply Point (GSP) data when they may not be in the right postcode beneath that?

If the primary data is provided by procurement zone or incident location, then it should be possible to aggregate it into summary tables or maps as needed.

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

We would use the data for business purposes i.e., to evaluate possibilities to use existing or new development assets to participate in DNO flexibility markets, and in discussions with customers.

The data also allows for a better comparison between different DNO areas – both for business purposes and to hold DNOs to account. The data will help provide an indicator of DNO performance – e.g., in respect of meeting Condition 31E, the DNO's RIIO obligations, and Net Zero progression, given the importance of smart, flexible systems in helping to deliver climate objectives.

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

The primary data needs to be provided by procurement zone – which will need to be post-code specific, if that is how it is procured.

The primary data can then be aggregated to generate at-a-glance summaries like the one on "Worksheet 1. Procurement and Use Summary".

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I hope you find our response useful. Please contact me if you have any questions on helen.stack@centrica.com or 07979 567785.

Yours sincerely

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