The Association for Decentralised Energy

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Bringing Energy Together

Ofgem Call for Evidence on ESO Performance | 10 May 2019

Introduction

The ADE welcomes the opportunity to respond to Ofgem's Call for Evidence on the ESO's performance for 2018/19.

The ADE is the UK's leading decentralised energy advocate, focussed on creating a more cost effective, efficient and user-led energy system. The ADE has more than 150 members active across a range of technologies, they include both the providers and the users of energy equipment and services. Our members have particular expertise in heat networks, combined heat and power, demand side energy services including demand response and storage, and energy efficiency.

Principle 1: Support market participants to make informed decisions by providing user-friendly, comprehensive and accurate information.

Areas of interest: General satisfaction with the ESO's information dissemination and accuracy, the ESO's data systems and the ESO's engagement to date. This includes the BSUoS monthly report, Future Energy Scenarios, Market Outlooks, Electricity Capacity report, webinars and events relating to Ancillary and Balancing services tenders, reporting of trades to the market, publication of forecasts of the carbon intensity of the electricity system, Ops Forum events and daily and monthly summaries of balancing costs.

The ambition shown by the ESO to improve the quality of its information is welcome. The procurement strategy set out for the FFR weekly trial is a welcome step forward and should form the template for balancing services more generally. We also support the roadmaps and RIIO-2 ambitions that all data should be openly published in machine-readable form unless there is a clear justification not to.

As highlighted in our response to the ESO's mid-year review in late 2018, we continue to be concerned that the ESO's procurement strategy is often opaque, particularly with regard to the frequency response markets, making it difficult for participants to understand what the demand for the service is and will be.

Further, the ESO needs to improve its engagement and project management for new services and changes to existing services. For example, the information leading up to the introduction of the FFR weekly trial has been poor. Significant delays have been incurred to its implementation with very little notice of the changing timelines given to industry. Similarly, demand turn-up has been stopped for this year, again with very short notice given to industry.

The ESO's approach to consultation could also be improved. Firstly, the timeframe tends to be quite short. Further, we have seen a few examples of where changes have been made without

sufficient consultation before a decision was taken. For example, earlier this year, the ESO had attempted to make changes to the performance monitoring formula for FFR without consultation. We welcome the ESO's decision not to proceed with this following industry voicing concern. In another instance regarding the recent publication of the FFR DCP, changes to the tendering process and testing requirements had in some cases already been implemented before the consultation was completed. We propose that the ESO should adopt the same practices as BEIS and Ofgem with standardised consultation periods of around 6 weeks and the requirement to publish a response to the consultation responses that sets out what the views were to each question and the decision that the ESO has taken as a result. Unless marked confidential, we consider that the ESO should publish all consultation responses it receives as Ofgem and BEIS already do.

Finally, the Monthly Balancing Services Statement is currently published 4 weeks after each month. This is a relatively long delay and undermines its effectiveness for the industry. We would propose that the MBSS be published sooner after the end of each month.

Principle 2: Drive overall efficiency and transparency in balancing, taking into account impacts of ESO actions across time horizons.

Areas of interest: Forecasting (demand, wind and solar), the ESO's Innovation Strategy, the Trades data platform, C16 Procurement Guidelines, SO IT forum, the ESO's monthly BSUoS report and the Operability Report. General satisfaction with the ESO's balancing approach, IT systems maintenance and improvements and satisfaction with the level of the ESO's transparency.

The Introduction of a Distributed Resource desk in the Control Room is very welcome.

The concerns we highlighted for the mid-year review still stand. ESO systems for ancillary markets remain quite reliant on manual processes and there is a need to move dispatch to greater automation. As highlighted above, the ESO's procurement strategy remains opaque and it is unclear how the ESO is arbitraging between different markets; for example, between FFR and MFR tenders. This is further exacerbated by the lack of transparency regarding bilateral contracts. We welcome the ESO's commitment to publish the split for each service between bilateral and tendered contracts but would propose that this needs to go further towards a reduction in the volumes being procured through bilateral contracts and eventually a full shift towards open tendering.

Regarding forecasting, the ESO's current work is welcome. However, we would note that the ESO's demand forecast tends to consistently over-estimate demand. This should be improved.

Finally, delays in implementing EBS is of concern – particularly given the significant IT upgrades that are needed and being planned for the RIIO-2 period. More generally, the ESO does not always allow industry enough time to build its own systems in response to ESO IS developments and ahead of Go Live for new products and services.

Principle 3: Ensure the rules and processes for procuring balancing services maximise competition where possible and are simple, fair and transparent.

Areas of interest: The ESO's future of balancing services workstream including progress of System Needs and Product Strategy (SNaPs) and product roadmaps, regional development programmes (RDPs), new providers on-boarding experience, TERRE developments, non-BM access and the Power Responsive Campaign.

The direction of travel and the ambition of the SNAPs and roadmaps is welcome. The ESO has also performed well in implementing Project TERRE and wider BM access and we expect this to be ready on time. We also welcome the ESO's support of Issue Groups 70 and 71 and the resulting modifications P375/P376 to support DSR participation in TERRE and the BM. We also support the ambition that the ESO has shown in its commitment to be able to operate the system at zero carbon by 2025.

As highlighted above, the delay in implementing the weekly FFR trial and the poor communication that has accompanied it are of concern. This must be remedied ahead given the significant number of new services that the ESO is preparing to introduce over the next few years.

Further with regards to the FFR weekly trial, we are concerned that significant parts of the trial remain unclear. In particular, it is not yet clear how much will be procured in Phase 2 of the auction and from which existing services that volume will be taken (for example, monthly FFR tenders or MFR). We also do not yet have the parameters for the standardised FFR products that will be procured in Phase 2.

More broadly, we are concerned that the ESO has pushed back its ambitions for moving from a weekly to a day-ahead tender. When the weekly trial was first being developed, the industry had understood that it was a stepping stone to a day-ahead tender. This is now only mentioned in the ESO's RIIO-2 ambition documents for 2023 and is not mentioned in its Incentive Scheme for 2019-21. This creates the possibility that a day-ahead trial may only be introduced six years after auctions were first proposed.

Regarding the other Roadmaps, we also have concerns that further deliverables have not been met or have been delayed. The Reserve and Response roadmap committed to implementing standardised products for STOR and Fast Reserve in Q2 2018. Through the Forward Plan, this deadline was moved back by 3 months. Secondly, there has also been significant changes and delay to the introduction of new faster acting response. This was first set out in the Response Roadmap where it committed to producing faster acting response by Q4 2018. The Q4 2018 deadline was reiterated in the Forward Plan. Since that point, workshops have been held on the new products in May 2018 but no further information was given until an update in February 2019 which did not contain any specific timescales for when the new products would start to be procured. Although details have now been released of the product parameters, this represents a significant delay to what was originally committed to. Thirdly, whilst the Transmission Thermal Constraint Management information note circulated in Summer 2018 was useful, it was relatively high-level and did not set out clear timelines for reform. There has not been a further, more detailed document building on this. Finally, we welcome National Grid's consultation on exclusivity clauses that was published on time in September 2018. However, since that point, we have not seen further engagement or updates on progress.

Regarding Power Responsive, the events are well-attended and the reports offer useful insights into the state of the DSR market. The quality and comprehensiveness of information on non-traditional participants, including particularly DSR, is still at a relatively low level across Government and industry. We consider that Power Responsive should play a stronger role in improving the quality and dissemination of this information.

Principle 4: Promote competition in the wholesale and capacity markets
Areas of interest: TNUoS and BSUoS customer seminar, BSUoS and TNUoS billing and reconciliation, code administration satisfaction, Charging Futures, improvements to the customer journey on network charging and code administration, the Regulatory Horizon project, experience of charging processes, publication of charging data and European network codes, capacity market modelling.

Charging Futures is well-run and has been creative in building participation of a wide group of stakeholders in network charging.

We support the ESO's recognition that the code regime should be reviewed and its support to the BEIS and Ofgem code review. We consider that there are improvements possible in the ESO's performance as CUSC and Grid Code administrator.

Principle 5: Coordinate across system boundaries to deliver efficient network planning and development
Areas of interest: Interactions with DNOs and TOs, network development roadmap consultation, NOA Pathfinding Projects, developing new ways of working with DNOs, Regional Development Programmes (RDPs).

The network development roadmap and ambition to include non-traditional solutions is welcome as is the ESO's RIIO-2 ambition to progress whole system outcomes.

Principle 6: Coordinate effectively to ensure efficient whole system operation and optimal use of resources
Areas of interest: ESO's engagement on ENA Open Networks including Future DSO arrangements, the connections process, Power Potential, Enhanced Frequency Control Capability (EFCC), TOGA system.

We welcome the ESO's ongoing support to the Open Networks programme.

Principle 7: Facilitate timely, efficient and competitive network investments
Areas of interest: Network Options Assessment (NOA) process and engagement, Electricity Ten Year Statement.

The NOA roadmap and its ambition to work with non-network operators to provide solutions is welcome. Industry now needs to understand in more detail how the ESO will begin to engage them to explore ways in which they could contribute to solutions and the process for participating in the NOA process. We would appreciate greater detail and a clear plan setting out the ESO's actions on this in the next year.

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