

17th January 2019

Response to Ofgem consultation: Licence conditions and guidance for network operators to support a Whole System

Summary:

Encouraging better collaboration across the electricity network sector is something that we support as an IDNO. By the virtue of our position in the market, operating across the country and with all DNO we understand the importance and value of harmonised and improved working relationships.

Each new connection that we install and adopt requires liaison with upstream networks to understand the capacity available. It often also involves a relationship with other IDNO who build and connect networks downstream of ours.

An approach to improve the regulatory arrangements and to encourage better working relationships between different network providers is something that we would welcome.

The future is likely to see significantly more local energy storage and generation playing a part in the operation of distribution systems. Irrespective of whether it is connected to an IDNO or a DNO network, generation/storage has the potential to either support or constrain the wider operation of the whole electricity system.

A requirement for the evolving Distribution System Operators (DSO) to consider the whole system should ensure that they consider customers connected to an IDNO network. This could be in supporting the management of capacity and peak demands on the upstream DNO network or potentially reducing the need for reinforcement. This might be something to include within the guidance document associated with the proposed licence conditions and evolve over time as greater clarity on what is required from the future DSO role materialises.

We own complementary independent gas (IGT), heat, water and telecoms networks. We are already in conversations with new property developers regarding a whole system approach to their utility infrastructure needs. Providing advice and information as to the different options that are available to them, the relevant costs and a single service for build and adoption. We can therefore attest to the benefits that a joined-up approach can provide to customers.

The proposed new licence condition to support a 'Whole System' development appears to follow more of a principle-based approach, compared to the more prescriptive licence conditions currently set out in the distribution licence.

Experience of principle-based regulation shows that this works most effectively when accompanied by comprehensive guidance from Ofgem. This supports licensees in understanding what they need to do to remain compliant and should be detailed, easily accessible and kept relevant and up to date.

The draft guidance that was provided with the consultation included some very useful aspects, especially regarding proportionality and the inclusion of examples for IDNO. Some parts were less clear, and we would like to see more detail on these included in the final guidance, should the proposed licence conditions be implemented.

Responses to Consultation Questions:

Question 1: Do you agree with the proposal to clarify Whole System responsibilities through licence and supporting Guidance? Where possible, please provide evidence and examples to support your views. In particular please describe:

a. The potential benefits you might expect to result from these proposals?

Collaboration and working with upstream DNO is a vitally important part of an IDNO's activities. IDNO networks only consist of the last part of a network. Close collaboration and working with other DNO's is vital to ensure the successful functioning of our networks. IDNO networks are also distributed across the country and include scenarios where one IDNO network will be linked to another IDNO. We therefore currently have relationships with all DNO/IDNO and understand the value of ensuring that the system operates coherently in an optimal way.

Greater sharing of information and common approaches to information sharing would therefore be something that we would welcome and see as a significant improvement over the current arrangements.

b. If there are any material costs or issues for you in relation to these proposals?

There is some ambiguity and a lack of detail in the guidance document as to how some of the proposed initiatives would be implemented. For example, it isn't clear what information is expected to be shared, in what format and with whom. It is therefore difficult at this stage to predict whether any of the proposals here would have a material cost or impact to us.

Greater clarity on what changes will be required to ensure compliance with these proposed new licence conditions would allow us to make a clearer assessment of the potential costs of any changes.

Question 2: Do you agree with the proposed scope and content of these licence conditions and Guidance?

Please provide any specific comments you have on the attached draft, including illustrative examples, and where possible, please provide reasons and evidence to support your response, in particular:

We appreciate the intent of the licence condition is to introduce a more principle-based regulation into the DNO licence. We can see the merits of this approach and how it might be applicable in this situation, where the future of what is required to encourage and deliver a Whole System is fluid and likely to evolve over time.

A consequence of this approach is that the guidance issued by Ofgem has to be clear and contain sufficient detail. In some areas this first set of draft guidance achieved this aim. The illustrative examples section was useful. To ensure licencees are clear as to their obligations the guidance documents will need to be regularly monitored and updated, with consultation with parties and providing sufficient time for changes to be implemented.

The inclusion of a reference to proportionality is helpful as it provides clarity as to which parties should lead on activities and recognises the practical constraints that will affect IDNO due to their relative size.

a. Are there other examples or areas of activity which you consider should be highlighted, or do you see the need for further clarity in any area?

The activity of understanding and communicating system requirements included several activities around the communication of information and the co-ordination of network development. These will involve commercial implications for parties regarding investment decisions and therefore this process needs to be robust, transparent and have sufficient regulatory oversight. It wasn't clear from the guidance document as to who would be accountable for co-ordinating and delivering this activity. Additional clarity around this would be useful to help licencees understand what is expected from them.

b. Do you consider these would be beneficial and proportionate? Are there any aspects which should not be included?

Requirements for IDNO to coordinate activities with the ESO would benefit from further clarity. Our current engagement with transmission operators is limited. We are not averse to greater involvement and engagement with the ESO if this would be helpful to support Whole System development but recognition of how limited this may be would be welcome.

Question 3: These proposals require licensees to engage and coordinate with Stakeholders. This recognises that a range of parties may have an interest in different aspects of the system, and the licensees should seek to engage with those with an interest in a given situation. Do you agree with this approach?

As well as operating an IDNO we also have IGT, heat, water and communications networks businesses. We are therefore used to engaging and coordinating with a variety of stakeholders regarding new utility infrastructure. We are used to liaising with them to understand their requirements and discussing the various options that are available.

We believe that this approach provides additional value to customers who are building new properties and already achieves some of the intent that the Whole System approach is trying to deliver.

There must be a recognition however that a utility network provider can only facilitate a dialogue with a customer about the options and provide information such as the costs of relative networks. Ultimately a customer may choose a specific solution based upon their preferences and therefore this should be recognised in any expectations upon the role that utility networks can provide.

Question 4: Do you consider any changes or clarifications are needed in relation to industry code objectives, notably the Distribution Code and the Grid Code, to support the delivery of Whole System outcomes? Specifically,

Do you see the need for further change or clarification to the code objectives themselves, or their interpretation, eg through introduction of a specific relevant objective in relation to Whole System actions?

DCode objectives c) to e) provide for technical facilitation of entry and exit points to a network, the exchange of data for planning purposes and a requirement to provide sufficient information to customers when making a connection. It would seem that the objectives already cover the principles behind the Whole System.

It may be worth considering the scope of the Distribution Planning and Connection Code 3 within the DCode. Currently this is limited to those networks owned by the DNO and potentially this might be expanded to include a Whole System reference.

Have you identified any interactions of these provisions with wider aspects of industry arrangements which should be considered in developing them?

Greater clarity as to the obligations upon specific parties to deliver the requirements set out in the guidance would be useful to understand the extent of changes required for the DCode, Grid Code or potentially other industry codes. Once this is provided the exact nature of the required governance changes should be clearer.

Question 5: Do you believe further, specific guidance in any area, and in particular in relation to efficient connections and constraint management (eg in preparedness for electric vehicles or increasing distributed generation) would be beneficial? Please provide reasons and, where possible, evidence to support your answer.

Yes, guidance with regards to a common approach from DNOs to connections and constraint management would be useful. There are differences in the approaches taken by DNO and we have been supporting the work undertaken by the ENA's Open Network project to look into this issue. A single common approach would be advantageous and help customers understand what to expect. The process should be more rigorously governed and include oversight from Ofgem. Official guidance from Ofgem or inclusion within an industry code would therefore be a welcome development.

Question 6: For which relevant datasets or information do you consider the need for availability and accessibility is greatest, in order to deliver Whole System benefits? Do you consider there to be any significant barriers to sharing these? Please provide specific suggestions for what you consider to be effective sharing arrangements, including required enablers and governance, such as the development of any industry standards?

A clear, transparent and robust governance structure should be used for any relevant datasets. This also applies to the mechanism by which any information could be shared.

Question 7: Do you agree with the proposal to apply these provisions to all electricity distribution licence holders, including IDNOs, and onshore TOs, and to exclude the ESO, offshore TOs and interconnectors? Where possible, please provide reasons and evidence to support your response.

The TOs, DNOs and IDNOs all form part of the Whole System and therefore it seems appropriate to include them in the proposed licence amendments. Offshore TO and Interconnectors can be considered different, as they connect only to specific locations on the transmission network, and therefore it is logical to exclude them for a Whole System obligation. Although ESO LC C16 may be similar it is worth ensuring that the accompanying guidance from Ofgem is updated to complement that envisaged to be developed for this new condition. It wouldn't be helpful to have any conflicts of gaps in the documents and processes.