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Our ref

Your ref

Date

15 October 2019

Dear Louise,

**Position paper on Distribution System Operation: our approach and regulatory priorities**

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc. This letter and associated appendix set out Western Power Distribution's (WPD) response to Ofgem's DSO Position Paper of 6th August 2019.

Thank you for the above position paper that we welcome as an opportunity to provide views. Please review this response in conjunction with the industry wide response submitted by the ENA.

We agree with your conclusions in paragraph 1.18 that "*At this time, we believe it is too early to implement institutional reform at distribution level as DSO functions are still developing.*" We understand the concerns raised by stakeholders around the risks of conflicts of interest when seeking to transition to a more active network utilising third party resources to manage capacity and have implemented organisational changes and processes to address these concerns. We are currently consulting on these as part of a wider consultation, 'Delivering a Flexibility First Approach'.<sup>1</sup>

We also agree that there are a number of least regret actions that that can be taken now to progress DSO which we highlight under the strategic outcomes in our responses to the specific questions raised in the DSO position paper, in the appendix enclosed.

Yours sincerely,

Nigel Turvey  
DSO and Future Networks Manager

<sup>1</sup> <https://yourpowerfuture.westernpower.co.uk/have-your-say/delivering-a-flexibility-first-approach>, 3 October 2019.

Enc: Response to Ofgem's questions from the Position paper on Distribution System Operation, Western Power Distribution

## **Appendix – Responses to specific questions in Position paper on Distribution System Operation**

### **Q1 – Do you agree with our strategic outcomes?**

We agree with the four strategic outcomes highlighted. It is important that these are underpinned by publication of associated data and decision making criteria. We have included some feedback on these outcomes below.

#### **Clear boundaries and effective conflict mitigation between monopolies and markets.**

Our consultation, 'Delivering a Flexibility First Approach',<sup>2</sup> as highlighted above, describes the information that we publish on opportunities for third party flexibility providers together with the processes that we follow to assess responses to tenders and dispatch principles used. The information on opportunities is underpinned by our distribution future energy scenarios and network options analysis that is also published on our website. Our consultation also highlights the organisational changes made to improve clarity of decision making and seeks views on other actions that may be appropriate.

#### **Effective competition for balancing and ancillary services, and other markets.**

Our Flexible Power product is aligned with the work being undertaken via the Open Network project at ENA and is designed to allow stacking with other services and has no exclusivity provisions within it.

We continue to work within the Open Networks project to deliver convergence and standardisation of flexibility products and services that are coordinated with other system operators.

Recognising that different service providers may wish to provide services to WPD through a variety of routes, we have been keen to ensure our flexibility offerings are accessible through a number of channels:

- we have partnered on Centrica's Cornwall Local Energy Market (LEM) project (developing a virtual marketplace for flexibility services across the Cornwall region);
- displayed our flexibility requirement on the Piclo platform since November 2018;
- we have already completed 13 procurement competitions seeking 165.4 MW of flexibility with our customer facing 'Flexible Power' brand and website.

To ensure that we are able to continue to offer multiple routes to participation, we are developing the suite of tools under Flexible Power to provide better market integration.

These includes:

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<sup>2</sup> <https://yourpowerfuture.westernpower.co.uk/have-your-say/delivering-a-flexibility-first-approach>, 3 October 2019.

- Standardisation of visibility and forecasting data for hosting on a variety of emergent flexibility platforms;
- Availability of geographic and postcode information for platforms to pre-qualify and validate flexibility assets;
- Improved sources of data for assets qualification – e.g. cross referencing MPANs to constraint managed zones.

**Neutral tendering of network management and reinforcement requirements, with a level playing field between traditional and alternative solutions.**

Our process for assessing alternative solutions against traditional reinforcement solutions is detailed in our current consultation, as noted above, and seeks views on how to improve that assessment. We will consider changes that may be needed to that process as a result of feedback from that consultation.

**Strongly embedded whole electricity system outcomes.**

Most work to date has been focused on whole electricity network system outcomes via the work we have undertaken with the ESO on the Regional Development Programmes (RDP) in both our South West and West Midlands licenced areas and the work undertaken via the Open Networks project.

The implementation of the RDPs is being shared with the other network companies as part of the Open Networks project in assessing best practice in dealing with cross electricity network issues particularly in the area of data exchange.

In terms of whole network issues we undertook the 'FREEDOM' innovation project with West and Wales Utilities and demonstrated the significant value that can be gained by working across the two energy vectors.

**Q2 – Do you agree that our work programme will help deliver the strategic outcomes?**

Yes. We look forward to continuing engagement with you to explain the steps that we have already undertaken as well as the forward challenges faced in respect of implementing the recommendations of the Energy Data Task Force, widening the participation of third parties and the delivery of a properly active network.

**Q3 – Do you have anything to add to the thinking and analysis that informs how we propose to deliver our programme of work?**

We are happy with the approach currently taken where industry takes ownership of the development of key enablers but clearly recognise that this requires the input and participation of a wide range of stakeholders. We will continue to work with Ofgem, BEIS, the other electricity network companies and wider stakeholders via the Open Networks project to ensure that a coordinated approach is taken.