



Bringing Energy
Together

ADE Response to Ofgem Mid-year Call for Evidence on ESO Performance | 18 October 2019

Context

The ADE welcomes the opportunity to respond to Ofgem's **mid-year call for evidence on ESO performance**.

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

Response

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, transparency of data, the ESO's data and information 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. Uninterrupted, safe, secure system operation; Transparency of data used by our ENCC in our close-to real-time decision making

The ESO's Future Energy Scenarios work continues to be extremely valuable; we look forward to a more detailed analysis of paths to delivery of net zero in FES 2020.

As highlighted in our response to the call for evidence on ESO performance last year, the ESO needs to improve its engagement and project management for new services and changes to existing services, with a lack of clarity around timelines and details of these elements. The ESO has also sometimes made changes without sufficient consultation, for example when introducing a locational requirement for Phase 1 of the FFR Weekly Trial.

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.

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 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. Upgrade of information systems, Interconnector programmes

As highlighted in the ADE's response to the last end of year review, ESO systems for ancillary markets remain quite reliant on manual processes and there is a need to move dispatch to greater automation. The ESO's procurement strategy remains opaque and it is unclear how the ESO is arbitrating 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 exclusively open tendering.

We welcome the ESO's proposed modular approach to IT system development, together with the proposed introduction of a digital twin, in order to avoid the issues with EBS and other IT system upgrades.

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 onboarding experience, TERRE developments, non-BM access and the Power Responsive Campaign. Intermittent Generation, Provider experience, Transform industry frameworks to enable decentralised, decarbonised and digitised energy markets

Progress of the System Needs and Product Strategy appears to have stalled, with little information or clear coordination being provided. While reforms such as the introduction of the FFR Weekly Trial are welcome, more clarity is needed on the overall strategy, progress of the range of reforms originally outlined under SNAPS, and interaction of new Frequency Response products with existing markets.

In general, the ESO has performed well in helping to implement Project TERRE and Wider BM access, including through participation in P375 and P376. Providers have expressed concerns about restrictions on their ability to stack across BM and STOR, which do not appear to be technically justified. Some market participants have also expressed worry that some of the processes necessary for Wider Access to the BM will not be ready in time for the go-live date in December 2019. The ESO have engaged with providers on these concerns via a conference call; it will be clearer if the concerns have been adequately addressed in December.

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, customer experience of charging processes and publication of charging data, participation in the Capacity Market and the ESO's work to transform industry frameworks to enable decentralised, decarbonised and digitised energy markets. Enable broader participation in the Capacity Market, Transform the customer experience for network charging.

The Charging Futures Forum contains a wide range of stakeholders and is well-run.

The ESO's portal continues to represent a significant barrier to participation in the Capacity Market, particularly for portfolios of smaller assets.

We welcome the ESO's ambition under RIIO-2 to develop a single portal for all balancing services and the Capacity Market, but would highlight the need to ensure current systems are upgraded where necessary to support key changes to services.

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 ADE supports continued work to open up the NOA process to non-network companies. We anticipate further progress on this in the coming year.

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, Power Potential, Enhanced Frequency Control Capability (EFCC), TOGA system.

The ADE supports the work that the ESO has done to support the Open Networks project. Whilst the Power Potential project is extremely welcome, we would note that its complexity using an auction mechanism for a brand new service has been challenging.

Principle 7: Facilitate timely, efficient and competitive network investments

Areas of interest: Network Options Assessment (NOA) process and engagement, Electricity Ten Year Statement.

The ADE has no comment.

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