

Grendon Thompson
Head of Electricity SO Regulation
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Electricity North West
Hartington Road, Preston,
Lancashire, PR1 8AF

Email: enquiries@enwl.co.uk
Web: www.enwl.co.uk

Direct line: 07766 512394

Email: alison.scott@enwl.co.uk

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

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Dear Grendon,

Mid-year call for evidence on ESO performance

Thank you for the opportunity to respond to the call for evidence on ESO performance at the half year point. It is important for stakeholders are able to feed in to the overall assessment of ESO performance against the roles and principles and as such we have provided responses to the previous calls for evidence for 2018/19 as well as attending the performance panel event, and we will continue to engage, both directly with the ESO and via Ofgem consultations and events.

Electricity North West is the DNO covering the north west of England. We serve 5 million domestic customers in 2.4 million premises, across a diverse range of locations, from urban Greater Manchester to rural parts of Cumbria, Lancashire and Cheshire. Electricity North West is an innovative leader as is demonstrated by the development of CLASS which is now providing balancing services to the ESO, delivering cost savings to all Great Britain's customers and reducing carbon emissions.

As the work within the Open Networks project continues and focuses on tangible outcomes, together with continued development of DSO functions, it is critical that networks, with each party focussing on their respective roles, work in a collaborative and coordinated manner to ensure whole system outcomes and lower overall costs for consumers.

We recognise that the framework for the 2019/20 year has changed slightly to reflect the experiences from the first year of the regime and welcome the evolutionary nature of this change as the panel reflects on their experience to date.

Our specific comments based on our experiences are shared within Annex 1. We also note that whilst the period being discussed includes the 9th August 2019 power supply interruptions we have not provided any comments regarding this.

We trust this will be helpful, and should you have any questions on the content, please do not hesitate to contact me.

Yours sincerely

PP. 

Alison Scott
Regulation Manager

Annex 1

Principle	Areas of interest	Our view
<p>Principle 1: Support market participants to make informed decisions by providing user-friendly, comprehensive and accurate information.</p>	<p>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</p>	<p>We raised concerns within last years' mid-year report and saw no improvement by the end of the year. Since then we have raised issues with the quality of information presented as it feels that there is little attention to detail and quality assurance in the production of these reports and we are not yet witnessing evidence of a desire within the ESO to address these issues.</p> <p>The various reports often seem to be misaligned with differing numbers for the same service / market. We have also observed movement in historical numbers but with no explanation.</p> <p>We have raised these issues as they have arisen with the ESO to look to seek improvements.</p>
<p>Principle 2: Drive overall efficiency and transparency in balancing, taking into account impacts of ESO actions across time horizons.</p>	<p>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</p>	<p>Whilst the tendering aspects of the FFR market appear transparent, greater focus is needed on outlining the total market requirement and how this is satisfied through open tenders and how much is awarded to other service providers through less transparent mechanisms.</p> <p>Our experience of the Fast Reserve market is that it is not apparent to us that it is operating fully efficiently in the best interests of customers. We have recently queried contract award decisions in order to gain greater understanding and transparency in decision making, however remain uncertain in this area and would recommend greater focus is given to increasing transparency of decision making in this market area and/or other reforms are enacted so that markets can operate more efficiently.</p> <p>The ESO should specifically provide more transparency around its decision making for contracting for Hydro Spin Fast Reserve in preference to other sources available in the market.</p>

<p>Principle 3: Ensure the rules and processes for procuring balancing services maximise competition where possible and are simple, fair and transparent.</p>	<p>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;</p>	<p>From our experience in the Fast Reserve market we believe that the rules used to procure the services are neither simple nor transparent and further work is needed in this area to turn this around for the full year.</p>
<p>Principle 4: Promote competition in the wholesale and capacity markets.</p>	<p>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.</p>	<p>We have no comments on this section.</p>
<p>Principle 5: Coordinate across system boundaries to deliver efficient network planning and development</p>	<p>Interactions with DNOs and TOs, network development roadmap consultation, NOA Pathfinding Projects, developing new ways of working with DNOs, Regional Development Programmes (RDPs).</p>	<p>Within our day to day interactions with the SO, we have experienced some challenges following the legal separation of the SO and TO earlier this year. We are finding some of the processes less efficient than previously experienced as well as changes of personnel resulting in delay of outputs whilst there is a necessary learning period. Our experience is that some processes are more onerous than previously in place, and the clarity of roles and responsibilities is not always communicated to us.</p> <p>We are also seeing a move towards a more contractual type relationship which is not conducive to whole system coordination which requires greater collaboration. The industry frameworks for co-ordinating whole system activities may need greater detail setting out in the industry agreements if the move to a more</p>

		<p>contractual approach continues.</p> <p>We would add that the ESO have recognised this and are working to gain improvements, however our observation is that there remains work to be done internally within the ESO to be clear on accountabilities. There appears to be a willingness from senior management within both TO and ESO to address these challenges and we look forward to there being progress made over the coming months.</p> <p>Our work with the ESO on Regional Development Programmes has gone well. We have had a good experience with the ESO who have been collaborative and willing to support with customer conversations, their technical approach and exploring commercial options available.</p> <p>We have found that the ESO has been keen to work with us to improve their own FES publication and progress a whole system FES. This is a positive step towards representing a whole system view in FES.</p> <p>The existing ESO data sharing rules have hindered progress, meaning NDAs are required to gain data access. We support the principles and look forward to the progression of data access policies as per the EDTF findings as these are more fully considered and implemented.</p>
<p>Principle 6: Coordinate effectively to ensure efficient whole system operation and optimal use of resources</p>	<p>ESO's engagement on ENA Open Networks including Future DSO arrangements, Power Potential, Enhanced Frequency Control Capability (EFCC), TOGA system.</p>	<p>In our EYR response we raised our concerns on the subject of transformer tertiary windings connections and how this has been developed by National Grid without our input or adequate transparency as an affected transmission system customer already using the relevant transformers whose tertiary windings are being used to connect others. National Grid's approach to tertiary winding connections may result in less efficient whole system outcomes for all GB consumers, unforeseen charging impacts and may impact effective connections queue management. The approach of continuing to make these tertiary connection offers independently as ESO and then rely on, "third party works clauses" to work with DNO's potentially ignores the whole system impacts until after connection offers have been made to transmission customers. We have expressed our willingness to work proactively</p>

		<p>with the ESO to manage large connections electrically close to our network as part of developing connection solutions which we consider is more in the spirit of whole system thinking and optimisation for GB consumers.</p> <p>We are now seeing requests submitted to the DNO to progress these works and the quality of the data being provided is hit and miss. It is also unclear on TO/ESO responsibilities in this area and we would suggest this is an area needing immediate improvement to provide clarity and clearly agreed processes.</p> <p>We have previously advised in our feedback that the ESO has made a positive and proactive contribution to Open Networks, however there are occasions where independent action has been taken which may have been better positioned within Open Networks. More recently we have seen significant support from stakeholders for improving coordination and consistency across DNO's and the ESO, however on some products there has been a lack of participation from the ESO that has been raised at ON steering groups. There is now greater focus being put on this coordination for the 2020 products.</p>
<p>Principle 7: Facilitate timely, efficient and competitive network investments</p>	<p>Network Options Assessment (NOA) process and engagement, Electricity Ten Year Statement.</p>	<p>We have no comments on this section</p>

