Call for Evidence

Topic 3: System Access And Network availability

The NGESO business plan talks about “driving down” constraint costs and proposes performance measures that could restrict optimal system access limiting progress towards net zero goals.
We agree that minimising constraint costs is important, but this needs to be considered against a counterfactual of increased network investment to ensure the network has sufficient capacity. As volumes of generation in all parts of the country continue to grow, and access is required to the network to allow assets to be replaced, maintained, or new points of connection, constraints will also continue to grow.

The ESO should support the economic evaluation of the different options but to state that constraint costs should be driven down will only lead to increased network investment, or restrictions in the operation of the network which will compromise a TOs ability to operate and manage the network efficiently.

We are concerned this is presenting unrealistic expectations for consumers and stakeholders and will lead to mis-directed incentives and performance measures. It is essential the NGESO explains that reducing constraints can only be against a counter factual of increasing constraint costs and not against current levels of cost. They need to collaborate with network companies to mitigate constraints and ensure they are arising in the right areas for the right cost. Whole system costs can reduce but constraints will go up.

The TOs and ESO RIIO-T2 regulatory incentive frameworks and performance metrics need to align in respect of system access and outage management.

We fully agree on the need to collaborate to mitigate constraints and ensure they are arising in the right areas of the network at the right time, for the right cost. Our RIIO-T2 Business plan proposes a package of measures to optimise our system access and mitigate our constraint impact during RIIO-T2. We include two bespoke output delivery incentives to optimise system access on the one hand, and mitigate the risk of high constraint costs on the other

A shared incentive that can help bring these different proposals together is the Network Access Policy (NAP). A jointly developed NAP draft was included in each of the onshore TO’s RIIO-T2 plans and had been agreed with the ESO.

This draft revision of the current NAP extends the scope to include NGET and identifies process enhancements for the RIIO-T2 period proposed by the Transmission Owner to the working relationship between the Transmission Owner and National Grid Electricity System Operator (NGESO) above and beyond the baseline level of outage planning, customer service and operation of the GB electricity transmission system as specified in the System Operator Transmission Owner Codes & Procedures. These enhancements are designed to assist NGESO in managing system costs and to deliver added value for consumers.

The NAP will be subject to stakeholder consultation and regulatory approval throughout 2020 and presents an opportunity to align the incentive proposals and performance metrics each TO and NGESO are incorporating I relation to system access and outage management into their business plans.

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It is vital the regulatory frameworks across TO's and ESO aligns in key areas such as system access and outage management to ensure we can collaborate effectively to mitigate constraints and optimise low carbon generation flows onto the network. This must be achieved in the context of enabling system access to connect new low carbon generation, upgrade our network to transport this energy to centers of demand, and maintain our assets to ensure continued high levels of network reliability.

Supporting Evidence:

NGESO Main Business Plan para 7.4.5.1 of the Electricity System Operator RIIO-2 Business Plan states:

"*Any new methodology will need to be well designed to drive optimal value, encourage the right behaviours and ultimately be fair to consumers through appropriate consideration of all risks involved. This will be a key priority for us to continue to drive down constraint costs and we want to be proactive and ambitious in identifying, developing and executing any such mechanism and we will work with all TOs to understand what is possible and what it would take to implement*. "

NGESO themselves forecast increasing constraints in all four Future Energy Scenarios (FES) for each year of RIIO-T2 (pages 7-9), in their Operational Assessment Report November 2019:

https://www.nationalgrideso.com/balancing-data/system-constraints

The scale of these increase is very significant rising nearly three-fold under the Two degrees scenario to £3700million by 2026 from £1288million in 2021.

The ESO currently spends around £1 billion per year balancing the electricity system

NGESO state that in their main business plan (page 116):

"Whilst the existing NAP process has already created significant consumer value we are mindful that there is
very likely additional value to be unlocked from a broader view of system access. We have been working with the TOs on their proposals as to how system access can be managed more effectively to ensure that we each have the right drivers to minimise the impacts on consumers' costs. This should include much more than just system access, the review should look to a whole range of solutions that minimise outage duration, or minimise the costs of the outages by enhancing affected constraint boundaries during an outage.

The NGESO also propose key metrics in Annex 7 of their RIIO-2 Business Plan - "Metrics and measuring performance" to assess their performance in RIIO-T2 including those in respect of system access. These include;

• KPI I Balancing cost management annual benchmark: 5- year historic average cost
• KPI 12 Future balancing costs saved by operability solutions: £75m
• KPI 13 Capacity saved through operability solutions: £22m
• KPI 14 Capacity saved through our access planning actions: +10% on previous year
• KPI 15 Number of short notice changes to planned outages: Less than 5 per 1000 outages delayed by more than an hour or cancelled within day

. For example, KPI 14 proposes:

"*We will measure how we are delivering a more efficient outage planning process by assessing the megawatt hours (MWh) of capacity created by our actions……*

Examples include creating savings from the Network Access Policy (NAP) challenge and review paper process; identifying and facilitating opportunities for outages; re-evaluating system capacity; reducing outage duration; optimising the outage plan to reduce constraint costs; aligning outages with customer maintenance; facilitating alternative solutions for lengthy outages that impact customers; and aligning outages with generator shutdowns"

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