

Grendon Thompson  
Head of Electricity SO Regulation  
Ofgem  
Sent by email to: [ESOperformance@ofgem.gov.uk](mailto:ESOperformance@ofgem.gov.uk)

28<sup>th</sup> October 2020

**RE: Sembcorp Energy UK feedback on the Mid-Year Call for Evidence on ESO performance**

Dear Grendon,

Many thanks for the opportunity to share our thoughts and feedback on the ESO Performance in this 2020-21 Mid-Year review. We also very much look forward to continuing the discussion at the Stakeholder Event in November.

**Context of response**

Sembcorp Energy UK, a wholly-owned subsidiary of Sembcorp Industries, is an integrated energy business and leading provider of flexibility offering a range of solutions to the UK energy system supplying rapid-response power direct to the grid when it's needed most. With a total operational portfolio of 973MW that includes significant battery storage, Sembcorp Energy UK helps to keep the country's electricity system balanced and resilient. Sembcorp Energy UK's major industrial power plants on Teesside along with its delivery of high-quality, centralised utilities and services to energy-intensive manufacturers are complemented by the fleet of fast-acting, decentralised power stations situated throughout England and Wales, and by our 60MW portfolio of battery storage. Our battery fleet will double to 120MW in 2021, supporting the continued growth of renewables on the system.

**Our feedback**

Sembcorp is keen to reiterate once again our full satisfaction with the way the ESO has been communicating and engaging with industry over the last year, collectively across their activities, and they continue to exceed our expectations in the first half of this financial year in their industry engagement.

We recognise that there has been a step change in performance from last year, and the ESO has demonstrated resilience and very positive engagement in ensuring increased transparency of its operations and data sets, despite the several challenges due to the pace of change of the industry as well as the unprecedented times due to Covid-19.



The quality of the ESO's regular operational reports is good (e.g. Market Outlook documents, monthly BSUoS reports etc), and they provide comprehensive information. Industry can draw accurate information from such documents. We also welcome the ESO's improvement and expansion of their Open Data Portal: this is a step change in providing access to data including via APIs and it has facilitated the move towards overall increased transparency in the ESO operations. We use this data extensively in our decision making and the delivery and subsequent expansion of the range of data has exceeded our initial expectations.

With regards to improved competition in markets, we would particularly praise the efforts and the project management that led to deliver Dynamic Containment (DC), and the effectiveness of the auctions. The ESO has been particularly helpful in supporting DC providers getting ready to enter the market and understand the necessary requirements. This has favoured good competition in the market and the entry of new providers within the first couple of weeks since its launch, with overall benefits for the end consumers. We look forward to the progress of this product from its soft launch to fully-fledged market.

Furthermore, the weekly FFR auctions continue to be run very effectively, with the information that the ESO provides each week on auction results being comprehensive, leading to a transparent, efficient auction which reduces costs to consumers.

The ESO has also been very responsive and open to discussions any time we had questions across their work streams. The weekly webinars addressing the issues related to Covid-19 have been a very useful tool to engage with the ESO and to keep abreast of relevant developments that informed the way we manage our business. This forum has gained much popularity and we praise the way the ESO has been running this regular engagement.

Furthermore, communication with stakeholders regarding the start of RIIO-2 has been very comprehensive and the engagement has been carried out through multiple platforms (specific workshops as well as newsletters and TCMF etc) and the ESO has been very clear and transparent around their working assumptions in forecasts.

The ESO has also dealt very well with the significant regulatory uncertainty on network charging over the period and we feel the ESO has been essential in facilitating discussion between the industry and Ofgem, as well as carefully balancing the need to inform stakeholders of potential consequences without disguising the inherent risks. With regards to major upcoming charging changes (the Transmission Demand Residual, removal of BSUoS Embedded Benefits and the work of the Balancing Services Task Force), the analysis by the ESO has been very useful to allow stakeholders to make informed decisions and enabled genuine discussion of various options. The approach taken has demonstrated that the ESO has good understanding of challenges facing industry and is willing to take into account and stand up for what industry could feasibly deliver.

In their role as Code Administrator, the ESO should be particularly praised for the excellent work and analysis they carried out, in particular in the context of CUSC modification proposals CMP317/327, which saw the group dealing with 84 alternative modifications (WACMs). Although the ESO has been very resilient in addressing the workload and analysis associated with all these WACMs, Ofgem should have





been much more involved in the modification process and should have provided better guidance on the direction of the solution.

An area where we still hold some concerns is around the future of reserve products. We appreciate that the priority of several work streams had to be reviewed in light of the impacts of Covid-19 and we look forward to further updates on the progress of the reserve roadmap in the second half of the year. The larger impact on reserve products appears to be due to the GB interpretation of the provisions of the Clean Energy Package, and we reiterate our feedback of last year's Call for Evidence, i.e. that this is clearly a joint issue for both Ofgem and the ESO and, as such, there should be a joint effort to solve the interpretation impasse.

We welcome the opportunity to discuss our feedback further. Should you have any questions or require further information, please do not hesitate to contact me at [alessandra.dezottis@sembcorp.com](mailto:alessandra.dezottis@sembcorp.com)

Kind regards,

Alessandra De Zottis  
Regulatory Affairs Manager  
Sembcorp Energy UK

