Network Planning & Regulation

ESO Performance Team
Ofgem
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Dear ESO Performance team,

Call for Evidence on ESO mid-year performance

SP Energy Networks (SPEN) represents the distribution licensees of SP Distribution plc and SP Manweb plc and the transmission licensee SP Transmission plc. We own and operate the electricity distribution networks in the Central Belt and South of Scotland (SP Distribution) which serves two million customers, and Merseyside and North Wales (SP Manweb) which serves one and a half million customers. We also own and maintain the electricity transmission network in Central and South Scotland (SP Transmission). As an owner of both transmission and distribution network assets, we are subject to the RIIO-1 price control framework and must ensure that we develop an economic, efficient and coordinated onshore electricity system.

As a key stakeholder of the ESO, we welcome the opportunity this Call for Evidence provides to present our views to you. We continue to engage regularly with the ESO across our activities in respect of network operation, customer connections and network investment planning. These engagements are generally effective and collaborative, demonstrating our shared responsibilities and commitment to delivering for consumers, customers and stakeholders.

Our feedback, below, is focused on the roles of greatest relevance to us as a network operator and is reflective of our interactions with the ESO:

Role 1 – Control Centre Operations

We have built a strong operational working relationship with the ESO that has helped in managing the workload in the last six months, during the COVID-19 crisis. The ESO has improved its management of customer and stakeholder engagement and has been supportive in assisting SP Transmission in managing outage changes that have arisen because of delays due to COVID-19. The ESO's weekly calls on system operation, which commenced at the start of the COVID-19 pandemic, is a strong example of effective communication which has helped key stakeholders better understand the challenges facing the operation of the electricity system, in light of significantly reduced demand.

There does however remain areas where improvement is required from the ESO in terms of system operation. The ESO appears to be struggling with staff numbers in certain key areas of their operational function. This is affecting the quality of their work and their ability to meet process timescales. We are also concerned by the ESO's tendency to 'sit on the fence' and avoid decision making where there is disagreement between TOs, generators, connected customers and DNOs. The ESO must play a leadership role in the operation of the system and should therefore be listening to all parties, before determining the right outcome for the national electricity transmission network and the end consumer.

Role 3 – System Insight, Planning and Network Development

As a whole, the key 2020 ETYS and NOA processes were well managed by the ESO, with regular engagement and open discussion with the TOs.

Network modelling and cost assessment activities

Network modelling and cost assessment are areas of increasing importance for the ESO, network owners and market players alike, as the ESO looks to introduce further competitive processes into the operation of the electricity system. We are keen to work with the ESO to ensure these processes are fit for purpose in measuring overall consumer benefit, whilst effectively balancing the benefits of longer term traditional infrastructure solutions with shorter term commercial products. We highlight further areas below that, we would recommend, need further attention and improvement by the ESO.

As significant decisions, such as the Mersey Pathfinder project, are made based on the ESO's network models, greater internal and external oversight of the ESO's network modelling and cost assessment activities is needed to ensure decisions reached, confidently deliver consumer benefits. We are encouraged that the ESO is now looking to improve upon its cost assessment processes, which should be undertaken as a matter of urgency. As mentioned above, we stand ready to support the ESO with this important work.

Further improvements are also needed to the ESO's constraint and system security modelling tools to ensure they are accurate enough to effectively manage the transmission network. In a number of instances, we have successfully challenged the ESO's rejection of an outage due to the output of their modelling tool.

More positively, the ESO has responded to our call for a refresh of the Northern England and Scottish Operability Studies (NESOS) done in 2014 and 2016. The ESO have engaged with us and been proactive in proposing an approach to updating studies and an assignment of resources, which is welcome progress.

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Development of the Pathfinder projects

We remain committed to working with the ESO on the timely delivery of Pathfinder projects, but to deliver successful projects, strong collaborative engagement and joint planning along reasonable timelines for key partners, such as ourselves, is crucial.

Notwithstanding the urgency that Ofgem demanded from the ESO in the development and introduction of the Pathfinder projects, the ESO could, and should, have performed better in their engagement with SP Transmission. The parameters of the project, including the terms of engagement for applicants interested in the Pathfinder projects, the rules and guidelines of the competition, the expectations of the applicants and fundamental and basic issues such as the roles and responsibilities of SP Transmission remain opaque, with the process ultimately hampered by late policy development. SP Transmission has experienced significant operational pressures due to the swift introduction of the Stability Pathfinder project, particularly in relation to our connections process.

Likewise, for the Constraint Management Pathfinder (CMP), the ESO has given minimal time for consultation with ourselves, despite us being a key partner. Whilst we are pleased that the ESO is now working with us constructively to address these issues, ESO action has beem driven by the ongoing raising of concerns by SP Transmission to these unacceptable processes.

Development of the Early Competition Plan

Regular engagement with the ESO in the form of meetings, webinars and consultation exercises continues as it develops its Early Competition Plan. We were disappointed at the initial 4-week timeline to respond to the Early Competition Plan (Phase 2) consultation exercise. Whilst efforts made by the ESO to increase this response timeline to 6 weeks were welcomed, it cannot be ‘consultation, for consultation’s sake’. We appreciate that the timescales Ofgem set the ESO to undertake this work are particularly tight, but this must be addressed with Ofgem and should not be at the expense of effective and fair consultation, particularly with key, directly affected parties.

We have increasing concerns with the ESO’s Early Competition Plan proposals. Whilst we note that the ESO has been tasked with proposing early competition models by Ofgem, the proposals being brought forward have not been tested against consumer benefits so there is no means of knowing whether these proposals will deliver additional consumer benefits, compared to existing arrangements. The ESO’s latest proposals also include extensive changes to the existing roles and responsibilities of other licensees, particularly the incumbent TOs. It is not appropriate territory for a licensee to take a view and consult upon the licensed roles and responsibilities of other licensees, particularly as the ESO is also proposing an extension of its own licensed roles and responsibilities. There is clearly a conflict of interest present. Whilst we accept that the ESO can play a role in developing an Early Competition Plan, on behalf of Ofgem, this must be limited in scope. In areas where the ESO has a direct commercial interest in the outcome of early competition policy across

GB, it is only appropriate that this work should be undertaken by Ofgem, as the independent Regulator.

Customer connections

Both SP Transmission and the ESO connections team remain committed to ensuring our customers get the right outcome and value for money. SP Transmission wish to exceed our customers' expectations and we have therefore invested significantly in IT enhancement to support our processes to achieve this. This is an activity that we will continue to build upon. We would welcome the ESO's commitment to ensure that they also see IT and more customer facing web-based products as an appropriate way to conduct certain elements of our engagement and communication strategy. On matters of policy, or where SP Transmission have a different form of engagement with customers than the other TO's, it would be helpful if the ESO ensured that this was well understood and can be clearly communicated to customers to avoid confusion or disappointment.

Optional Downward Flexibility Management service

We supported the introduction of the Optional Downward Flexibility Management (ODFM) service, viewing it as an essential tool to help manage the change in network conditions caused by COVID-19. We coordinated fully with the ESO, with our Control Room staff communicating with and supporting the ESO Control Room as and when required. Overall the level of communication by the ESO was very good in keeping SP Distribution and SP Manweb updated should any ODFM or last resort disconnection of embedded generation be required.

However, our main concern with ODFM was that it did not allow sites connected to an Active Network Management (ANM) scheme to participate. SPEN has c150MW of generation connected under an ANM scheme at our Dunbar and Berwick Grid Supply Points (GSPs) that could have potentially participated in the service but were not allowed to. The ESO had concerns over the impact using ANM sites may have on the distribution network and the ability of ANM schemes to automatically counteract some of the ODFM instructions. Given that the ESO were time constrained when rolling out the service, it was their view that these concerns could not be solved in a timely manner. We believe that with more coordination and communication with DNO/DSO's prior to the COVID-19 situation, the ESO would have been able to utilise our expertise and ability in managing distribution connected assets and therefore enhance the ODFM service. This could have increased competition and potentially have reduced the price paid by the ESO, at times reaching £200/MWh. ANM would also have provided a far more efficient and reliable control and dispatch mechanism, compared to the manual process of telephone communications between the ESO control room and participating sites.

Furthermore, as the ODFM scheme used a 'turn to zero' process for Distributed Energy Resources (DER) output, the ESO will inevitably have paid more money than was required to solve network

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issues. Utilising ANM systems could allow the ESO to curtail units in a more efficient and incremental manner, saving money and renewable output.

Going forward we are keen to work with the ESO to help accommodate ANM-connected sites into services such as ODFM. SPEN has plans to roll-out our ANM scheme across our entire SP Distribution and SP Manweb areas, potentially accessing GW's worth of DER units, with an additional c400MW of DER currently contracted to connect to our network in the Dumfries and Galloway area alone, who may look to connect via our ANM scheme.

Dumfries and Galloway Active Network Management Project

The Dumfries and Galloway ANM scheme is looking to go live in Q1 2021. We continue to have productive and frequent meetings with the ESO. We have agreed a mode of operation between the SPEN and ESO Control Rooms and a route forward for moving Bilateral Embedded Generation Agreement (BEGA) customers onto our ANM scheme. While this is a positive step, discussions have taken longer than expected, with SPEN awaiting feedback from the ESO's Legal and Technical teams for a number of months. SPEN and the ESO have coordinated two-hour workshops to go over some of the more technical points in our discussions. These workshops have been greatly beneficial for both parties; however, it is an example of how the current COVID-19 situation can delay proceedings. Face to face meetings would benefit both parties, where these issues could be discussed with the use of a whiteboard in a more informal setting, although we accept this will not be possible for the foreseeable future.

We are still unable to reach an agreement on a commercial model for the South West Scotland area once GEMS has been implemented. We understand the ESO need to create a compensation-mechanism for all DER that are constrained for Transmission Network related issues. However, the current design of the Transmission Constraint Management (TCM) service is inefficient given that it reduces DER output to zero, regardless of the level of MW required to solve the network issue. We are working with the ESO to find a solution; however, we believe that an open consultation involving DER and other stakeholders would be beneficial as it would allow for customer input. Many of the concerns we have over the TCM service relate to the impact it will have on customers: method and frequency of price submission; forecasting requirements and the associated costs of participating in the service. Central to the ESO's wish to reach an agreement on this topic is the need for them to finalise the Technical Specification document for GEMS so that the procurement process can begin. While we understand the need to keep progressing, we feel that a suitable commercial agreement is required for GEMS to operate as was originally intended. We do not think it is in the best interests of our customers to proceed with the current TCM service, without first taking note of their feedback.

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Accelerated Loss of Mains Change Programme

SPEN established a dedicated Accelerated Loss of Mains Change Programme (ALoMCP) project team in 2019 to engage with the ENA and ESO colleagues to develop the programme and processes to support generators and help facilitate their compliance with the revised Distribution Code. The process requires generators to apply through the ENA Web Portal; awareness of the Loss of Mains programme and willingness to participate are therefore critical to success. To date, we have issued a direct mail to all our applicable customers; we have also engaged through a range of social media channels and created our own dedicated website. Our next steps will be to engage more widely through the SPEN stakeholder team, with the intention of reaching connected customers who do not typically engage in industry forums and events.

Moving forwards, we do consider it important that the ESO leads on wider strategic communications on this issue. We would strongly recommend that an ESO communications team runs a nationwide campaign to ensure awareness amongst all generators eligible for the scheme. To date, the language used by the ESO and industry alike has been very engineering biased and may not resonate with the target audience, unintentionally resulting in them becoming disengaged. For example, the “loss of mains” terminology itself is not familiar to non-electrical engineers. We believe it is necessary for the programme to remove all barriers to engagement to achieve the desired outcome.

Should you have any questions in relation to the issues raised in this response, please do not hesitate to contact me.

Yours sincerely

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