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Piclo Response to Ofgem's Forward work programme 2021/2022 consultation

Dear Ofgem team,

We welcome the opportunity to respond to Ofgem's forward work programme consultation for 2021/22 and support the progress that has been made to date. We agree broadly with your strategic change programmes and identified activities, particularly on delivering full chain flexibility, unlocking the benefits of data and digitalisation and ensuring the energy system governance is fit for the future. We offer the following comments:

- **Ensure that the strategic priorities of full chain flexibility, unlocking the value of data and digitalisation and governance are considered as linked and interdependent.**
- **Open API access to ESO and DSO flexibility markets must be prioritised in 2021/22**

2021 is a critical year for the development of flexibility markets and Ofgem's three strategic priorities, full chain flexibility, data and digitalisation and governance will be essential to the development of transparent, efficient and competitive ESO and DSO flexibility markets.

Strategic change programme 2 full chain flexibility and 4 unlocking the benefits of data and digitalisation

Unlocking the benefits of data and digitalisation proposes four new proposed activities and these must be applied to flexibility markets. Flex Providers, platforms and System Operators must enable greater automation across ESO and DSO flexibility markets as a whole, via APIs:

- More assets: Flex Providers bidding into individual flexibility services with thousands of assets
- Non-traditional Flex Providers: new types of Flex Providers, often with non-traditional business models and intentions for participating will continue to become more prevalent. For instance, aggregators, local councils, residential DSR.

- New markets and services: new markets at national and local levels are emerging and new flexibility services between flex providers are also being trialled such as curtailment and capacity sharing and trading.
- Shorter-term procurement: shorter-term procurement is becoming more common across ESO markets and has been signposted for DSO flexibility markets.
- Scale of procurement: The scale of flexibility procured is also increasing. For instance, SP Energy Networks uploaded over 1000 locations with competitions for flexibility services in 2020. Flexibility needs will continue to increase as the decarbonisation of heat and transport continues.

These factors (and more) mean the current, manual methods of procurement such as the manual identification of competition areas, signposting competitions and bidding are no longer suitable. APIs in flexibility markets are a way to connect and integrate directly with markets, enabling real-time communication and for many processes to be automated via straight-through processing between the market operator and the market participant's trading and back-office systems¹. APIs can facilitate the scale, speed (short-term procurement), and granularity (flexibility services procured as and when it is needed) that is necessary for a decarbonised system. Widening access to flexibility markets via APIs will also limit the potential of suboptimal path dependencies.

The need for open APIs

Flex Providers should have the choice to participate in markets directly through System Operator procurement portals or APIs or via 3rd party platforms. We see an important role for independent marketplaces (and other service providers) providing unified access to multiple markets, minimising the Flex Provider's engineering and coordination effort and hence keeping the cost of participating in flexibility markets low. However, in order for this vision to be realised, it's essential that the ESO and DSOs commit to and prioritise providing open APIs for market participation that:

- Are based on ubiquitous modern open standards (i.e. non-proprietary, publicly documented, and royalty free) which require minimal industry-specific expertise to implement, such as HTTPS, REST and JSON
- Are comprehensively documented publicly on the open web
- Have minimal and transparent requirements for a 3rd party to gain access

¹ **API definition:** "API is a computing term and stands for Application Programming Interface. In the context of data access, an API defines a specific way to retrieve data across the web. It will define things like the format of the data, which attributes of the dataset can be retrieved, the ways in which the data can be queried"

- Enable all stages of market activity to be performed via 3rd party platforms

In doing so, open APIs enable the development of innovative new services and products as well as automated access and participation in markets. Additionally, since independent 3rd parties can provide consistent methods of market access, the urgency for market APIs to be standardised (i.e. homogeneous across operators and markets) is greatly reduced, allowing innovation to continue at pace in parallel with the standardisation process.

Strategic change programme 5: ensure energy system governance, including Ofgem, are fit for the future

We support the new proposed activity for 2021/22 to “Review Distribution Network Operator arrangements to ensure an effective future DSO capability, in line with our Full Chain Flexibility work”. It is important that this also ties into the data and digitalisation priorities for 2021/22 as outlined above.

We are excited to see these plans for the year ahead and what they mean for the next steps for flexibility markets. We are happy to provide further information on any of the points of this consultation if required.

James Johnston
CEO and Cofounder

Background to Piclo

Piclo provides a streamlined and digital service for DSO flexibility procurement. Piclo Flex is an independent marketplace (accessible here: <https://picloflex.com/>), which serves as a single place for DSOs to source flexibility from flexibility providers (e.g. aggregators, electricity retailers, generation operators, battery operators, I&C customers and electric vehicle charging operators - referred to as Flex Providers). Piclo's services include the following:

1. **Visibility:** DSOs are able to publish and advertise their flexibility needs on the platform map, including details such as location, time and type of flexibility service.
2. **Qualification:** the platform runs a qualification process in order to qualify Flex Provider companies and assets to bid for the flexibility services advertised
3. **Online auctions:** the platform runs auctions for the flexibility services advertised: qualified companies can enter bids to win the flexibility contract and DSOs can accept or reject the Flex Providers' bids.

Piclo Flex was developed in 2018 within a UK Government-backed innovation project and was trialled by all 6 UK DSOs. Piclo Flex is now the largest independent marketplace for DSOs flexibility services in GB. Over €20million of flexibility contracts have been awarded by DSOs through Piclo Flex and over 1,200 flexibility needs have been advertised. More than 11GW of flexibility capacity is registered on the platform from over 300 companies. Piclo has commercial partnerships with 4 UK DSOs, is a key partner in international trials, such as the [Slovenian Green Transformation Consortium](#), and is involved in leading innovation projects including UK Government Department for Business Energy Industrial Strategy (BEIS) [FleX Exchange project](#), which will see Piclo Flex develop into a multi-market platform by facilitating secondary markets (focusing on the capacity market first), [Project LEO](#) and the EU [Horizon 2020 OneNet project](#).

Piclo has secured £4million of funding, including £1.5m from Clean Growth Fund, grants from DECC and BEIS and private investment from Ian Marchant, former CEO of SSE. Piclo has been named by Bloomberg as one of the UK's top 50 Business Innovators and won Startup of the Year at European Utility Week.