

DSO: Ofgem regulatory principles and priorities workshop

Contact:
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Date: 10/06/2019
Time: 10:00-16:30

Location: 1 Victoria Street,
London

1. Preamble

This note accompanies workshop slides, also published online, from the Ofgem workshop *DSO: Ofgem regulatory principles and priorities workshop*, held on 10th June in London. We took reasonable measures to ensure a fair representation of industry at the event; notwithstanding efforts, restricted space resulted us only being able to offer a limited number of spaces. This note and the accompanying slides are made available online for interested parties to engage with after the event. We welcome ongoing stakeholder engagement through existing channels and through the above email address.

2. Summary

The transition to distribution system operation (DSO) means new roles and responsibilities, both for existing and new actors. The DSO: Ofgem regulatory principles and priorities workshop was an opportunity for a wide range of industry and interested parties to engage in debates around how these roles and responsibilities should be delivered.

Ofgem hosted interactive sessions across the day, with the outputs informing our policy development process and further engagement with stakeholders.

There were three key areas for discussion:

DSO functions and function providers

The DNO's role is expanding in the DSO transition. In the morning of the workshop, we explored some of the challenges around setting the boundary of this growing role of the DNO, i.e. what should and should not be done by the DNO, considering where the market may be able to deliver functions more effectively. We presented and tested some of our early thinking on how the DNO's monopoly position can confer unique benefits, but also risks to competition, when it delivers new functions, and what this could mean for more clearly defining parties' roles.

Key enablers for DSO

The second half of the *DSO: Ofgem regulatory principles and priorities* workshop examined the key enablers that require development and deployment to ensure delivery of new Distribution System Operation functions, whether by the market or monopolies. The afternoon sessions unpicked the technical, engineering and data practices that will underpin distribution system operation, asking participants to assess Ofgem's proposed definition and approach to progressing key enablers for DSO; to identify specific network and asset information needs; and to explore routes to unlocking key enablers for DSO.

Platforms

Platforms for flexibility are a key new function in distribution system operation. The workshop shared and examined the findings of Ofgem's Future Insights research paper on the role and function of platforms for flexibility, placing this in the wider context of the DSO transition and the morning session on DNO and market roles, and the afternoon session on key enablers for DSO.

3. Ofgem attendees

Frances Warburton	Director, Energy Systems Transition
Louise Van Rensburg	Interim Deputy Director, ESO and Whole systems
Peter Bingham	Chief Engineer
Alex Walmsley	Senior Manager, Flexibility and Whole Systems
Edwin Tammis-Williams	Senior Manager, Flexibility and Whole Systems
Bryan O'Neil	Senior Engineer
Flo Silver	Manager, Flexibility and Whole Systems
Sarrah Marvi	Engineer
Freya Kerle	Analyst, Flexibility and Whole Systems
Augustin Lorne	Graduate Analyst, Flexibility and Whole Systems

4. Introductions

Frances Warburton (Director, Energy Systems Transition) welcomed the delegates and introduced the content of the workshop within the wider context of the work Ofgem's Energy Systems Transition directorate is delivering. Louise van Rensburg (Deputy Director, Energy Systems Transition) set out the objectives of the day; for us to set out our thinking so far on distribution system operation (DSO) priorities for Ofgem, and use feedback from delegates to inform our policy thinking. She described how today's input would feed into a DSO paper we expect to publish later in the summer.

5. DSO functions and function providers

Edwin Tamas-Williams (Senior Manager, Ofgem) introduced the morning workshop session on DSO functions and function providers. The functions of Distribution System Operation are based on Ofgem's review of industry initiatives, the Open Networks Project¹, the Future Power Systems Architecture², and numerous academic publications. There were outlined and framed the day's discussions. The purpose of this session was to discuss how we can determine who the most effective party may be to deliver new functions in the DSO transition, with an emphasis on where it is appropriate for DNOs to provide functions that could be provided by markets.

Steve Atkins (DSO Transition Manager, SSEN), Charles Wood, (Policy Manager, Energy UK) and David Middleton (Head of Commercial Innovation, Origami Energy) presented their views on roles for different parties in the DSO transition, and took questions from delegates. Edwin Tamas-Williams then set out some of Ofgem's early thinking in this area, describing an approach for understanding and addressing risks and benefits associated with DNOs delivering contestable functions. The overall principle of the approach was to collate, distil and consolidate relevant criteria that we have used to make decisions around DNO's role into a central, common framework that would provide clarity around future decisions.

In the first breakout session of the day, the delegates discussed the approach Ofgem are considering taking. Generally, delegates welcomed Ofgem's ambition to provide more clarity around appropriate roles for DNOs and third parties, and supported what they saw as an approach that could provide more predictability around decisions. At the same time, there were questions around the feasibility of developing the common framework approach further, and whether Ofgem should instead focus on delivering specific decisions as and when required. The delegates broadly agreed with the risks and benefits Ofgem had identified, though there were diverse views on how material the risks and benefits were, and what sort of action Ofgem should take to address them.

6. Key enablers for DSO

Alex Walmsley (Senior Manager, Ofgem) introduced the afternoon workshop on Key Enablers for DSO. This was framed by the working definition:

"The hardware, software and all associated data and interoperability standards that are required to unlock DSO functionalities, support markets, and deliver consumer benefits through competition."

The functions of a DSO were again highlighted in framing this work. The emphasis of the session was on the development and progress towards a supportive policy

¹ <http://www.energynetworks.org/electricity/futures/open-networks-project/>

² <https://www.theiet.org/impact-society/sectors/energy/energy-news/fpsa3-fast-track-to-britain-s-future-power-system/>

environment that ensures the key enablers for DSO functionalities are delivered, and that existing and new learnings can be put to best practice to progress DSO.

Peter Bingham (Chief Engineer, Ofgem), Keith Bell (Holder of the ScottishPower Chair in Smart Grids, University of Strathclyde), Richard Dobson (Technical Collaboration Consultant, Energy Systems Catapult & Energy Data Taskforce), Graham Ault (Executive VP and DER Operators General Manager, Smarter Grid Solutions), and Sotiris Georgiopoulos (Head of Smart Grid Development, UKPN & Chair ENA Open Networks Workstream 1A) partook in a panel session, outlining where they see the priority for technical work to progress DSO. Key themes from this included the need for least regrets actions now to maintain policy optionality, notwithstanding the preference for a high level target description of future roles and responsibilities.

Alex Walmsley then moved through the Ofgem approach to key enablers for DSO, emphasising that that work is developing, and is based on harnessing key industry development and initiatives. The presentation was separated in to two sections: Ofgem's strategic approach to Key Enablers for DSO, and tangible implementation measures to develop policy. The strategic approach highlighted that Key Enablers for DSO are nested in wider initiatives, such as the Digital Framework Taskgroup³, the Energy Data Taskforce⁴, and the proposed Whole Systems License update⁵, whilst drawing on progress made through the Open Networks Project⁶, innovation projects, industry groups, and academic research. The strategy outlined data types and the existing or undefined regulations around information availability. The implementation section outlined forthcoming work to update and enhance the data made available from DNOs through the Long-Term Development Statement, noting that this would be consulted in in 2019.

The work on Key Enablers was generally well received by participants, with workshop participants encouraging progress in the near term whilst seeking further clarity on the long-term direction and processes for enabling distribution system operation.

7. Platforms

Alex Walmsley ran a session covering the recent research on platforms for flexibility trading undertaken by the Office for Research and Economics as part of the Future Insights Series. The research is designed to inform Ofgem and industry on the developing area, rather than implementing policy. The research considers the breakdown of tasks that a flexibility platform can undertake: coordination between markets and platforms; procurement facilitation; dispatch and control; settlement; market services, and analytics of trading, noting that multiple parties may be well placed to delivery these tasks. The work underscored the consumer protection

³ <https://www.cdbb.cam.ac.uk/DFTG>

⁴ <https://es.catapult.org.uk/news/energy-data-taskforce-report/>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/consultation-licence-conditions-and-guidance-network-operators-support-efficient-coordinated-and-economical-whole-system>

⁶ <http://www.energynetworks.org/electricity/futures/open-networks-project/>

interests around platforms for flexibility trading, demonstrating this is a key area for Ofgem to monitor.

8. Further engagement

We recognise that stakeholder engagement is central to the developing work on distribution system operation, and welcome further engagement from all of our stakeholders.

Following the DSO workshop, Ofgem will be publishing our developing views on this DSO area of work in a summer publication. This will outline our priorities in the context of our wider work to support the energy transition, and our direction of travel, and will be informed by the workshop and other stakeholder interactions. The publication will not be a formal consultation, however, we will invite feedback on a limited number of areas.

Ofgem will be consulting separately on Key Enablers for DSO and the Long-Term Development Statement, and are planning for a specific consultation on CLASS⁷ in 2020.

⁷ https://www.ofgem.gov.uk/system/files/docs/2016/04/dno_voltage_control_drs8_direction.pdf