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Dear Grendon,

Call for evidence on ESO performance for the year 2018/2019

Thank you for the opportunity to respond to the call for evidence on ESO performance. It is important for stakeholders to be able to feed in to the overall assessment of ESO performance against the principles and as such we provided a response to the call for evidence at the six month point back in October 2018 as well as attending the performance panel event, and we will continue to engage, both directly with the ESO and via Ofgem consultations and events.

Electricity North West is the DNO covering the north west of England. We serve 5 million domestic customers in 2.4 million premises, across a diverse range of locations, from urban Greater Manchester to rural parts of Cumbria, Lancashire and Cheshire. Electricity North West is an innovative leader as is demonstrated by the development of CLASS¹ which is now providing balancing services to the ESO, delivering cost savings to all Great Britain's customers and reducing carbon emissions.

The insights delivered by the Open Networks project have built on the existing historical coordination between electricity transmission and distribution networks. With the emergence of a newly independent System Operator at the heart of the energy system, and as DNOs transition to becoming DSOs it is critical that this collaboration and coordination continues to develop, with each party focussing on their respective roles, leading to greater prevalence of whole system outcomes and lower overall costs for consumers.

Our specific comments in relation to the principles based on our experience for the 2018/19 year are shared in Annex 1. We trust this will be helpful, and should you have any questions on the content, please do not hesitate to contact me.

Yours sincerely

Submitted via email

Paul Auckland
Head of Economic Regulation
Encs

¹<https://www.enwl.co.uk/about-us/news/latest-news-and-views/2019/pioneering-north-west-energy-project-adopted-by-national-grid/>¹

Annex 1

Principle	Areas of interest	Our view
Principle 1: Support market participants to make informed decisions by providing user-friendly, comprehensive and accurate information.	General satisfaction with the ESO's information dissemination and accuracy, the ESO's data systems and the ESO's engagement to date. This includes the BSUoS monthly report, Future Energy Scenarios, Market Outlooks, Electricity Capacity report, webinars and events relating to Ancillary and Balancing services tenders, reporting of trades to the market, publication of forecasts of the carbon intensity of the electricity system, Operational Forum events and daily and monthly summaries of balancing costs.	<p>The views we set out in our mid-year response are shown below. These remain relevant with no noticeable change.</p> <p>We generally see a proactive approach in reaching out to customers and stakeholders and while market reports contain a lot of information, the attention to detail on these documents together with that of contractual documentation is not as expected and needs updating to properly reflect the services provided. We experience that changes in personnel and indeed changes of decision makers can have an impact on this area.</p>
Principle 2: Drive overall efficiency and transparency in balancing, taking into account impacts of ESO actions across time horizons.	The ESO's approach to the real-time operation of the system, forecasting (demand, wind and solar), the ESO's Innovation Strategy, the Trades data platform, C16 Procurement Guidelines, SO IT forum, the ESO's monthly BSUoS report and the Operability Report, the Platform for Ancillary Services (PAS) and the ESO's approach to managing inertia. General satisfaction with the ESO's balancing approach, IT systems maintenance and improvements and satisfaction with the level of the ESO's transparency.	<p>We note that the approach in FFR now appears transparent, however we noted at the half year that the Fast Reserve market was less so with little detail provided on who is providing the bulk of the services and on what basis. We called for and would welcome more transparency in this area where commercially possible.</p> <p>This comment on the Fast Reserve market remains valid with the tender decisions less understandable, an example of this is the decision on the April 2019 tender which appears to have participants confused as to the decision not to award Electricity North West a contract for the winter period.</p> <p>We request more information to be published with regard to the Hydro Spin component of Fast Reserve with a clear end date as to when this volume will be put out to competitive tender or when clear justification to support continued bilateral arrangements will be shared along with a justification as to why this is in customers' benefit.</p> <p>Our experience with interfacing with the Platform for Ancillary Services has not been as straightforward as we had expected. We understand this and recognise that NGESO have faced challenges in implementing this new system. We have though, had good support from the NGESO IT teams in resolving issues.</p>

Principle 3: Ensure the rules and processes for procuring balancing services maximise competition where possible and are simple, fair and transparent.	The ESO's future of balancing services workstream including progress of System Needs and Product Strategy (SNaPs) and product roadmaps, regional development programmes (RDPs), new providers on-boarding experience, progress against TERRE related developments, progress against facilitating non-BM access and the Power Responsive Campaign.	As we expressed at the half year point, we see the ESO as remaining focused on providers who are essentially generators and further attention is needed to ensure that true demand side response providers such as Electricity North West and others are assessed appropriately.
Principle 4: Promote competition in the wholesale and capacity markets.	TNUoS and BSUoS customer seminar, BSUoS and TNUoS billing and reconciliation, code administration satisfaction, Charging Futures, improvements to the customer journey on network charging and code administration, the Regulatory Horizon project, experience of charging processes, publication of charging data and European network codes, capacity market modelling.	No comments on this section
Principle 5: Coordinate across system boundaries to deliver efficient network planning and development	Interactions with DNOs and TOs, network development roadmap consultation and the final NOA roadmap, NOA Pathfinding Projects, developing new ways of working with DNOs, unlocking further connection capacity for DER, Regional Development Programmes (RDPs).	<p>We have continued over the last six months to work closely with the TSO on efficient network planning and development at the T-D interface through both the new Connection Statement of Works (SOW) process and an RDP for the Heysham area. With reference to SOWs, we have seen an adverse impact in efficiency and co-ordination as roles and responsibilities between the TSO and TO are being developed. The RDP work has seen good collaboration between both organisations, with a keen focus on delivering the best whole system solution.</p> <p>A significant area of concern is the programme of tertiary winding connections being assessed and offered by the ESO on behalf of National Grid TO customers. We feel this has been done without effective industry consultation and collaboration. In many areas seeking to try and fit this new connection approach to existing processes in a poorly co-ordinated cumbersome way. We have shared our thoughts with the ESO directly and welcome the inclusion of the potential issues into discussions with all stakeholders and through industry fora. This course of action was surprising for us at a point when new whole system obligations were being placed on network companies as well as it making sense for all customers to investigate options and impacts.</p>

Principle 6: Coordinate effectively to ensure efficient whole system operation and optimal use of resources	ESO's engagement on ENA Open Networks including Future DSO arrangements, the connections process, Power Potential, Enhanced Frequency Control Capability (EFCC), TOGA system.	<p>We consider the ESO has made a strong contribution to the open networks project.</p> <p>We would note that in the earlier part of the year we have seen some examples of actions taken outside of agreed industry processes that could have been better co-ordinated.</p>
Principle 7: Facilitate timely, efficient and competitive network investments	Network Options Assessment (NOA) process, engagement and recommendations, Electricity Ten Year Statement.	<p>We welcome the work that the ESO are doing to extend the NOA process for identifying new ways of meeting transmission system needs. The work via Open Networks on this has already identified real life examples where a system constraint can be resolved by a DNO delivered solution for the benefit of consumers, and we look forward to working with the ESO to continue this important development .</p>