

Louise van Rensburg
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Ofgem
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Canary Wharf, London
E14 4PU

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Dear Louise,

Mid-year call for evidence on ESO performance

Scottish and Southern Electricity Networks (SSEN) is the trading name of Scottish Hydro Electric Transmission plc (SHE Transmission), Scottish Hydro Electric Power Distribution plc (SHEPD), and Southern Electric Power Distribution plc (SEPD). This response is on behalf of these licensees.

Our electricity distribution and transmission networks carry electricity to over 3.7 million homes and businesses across the north of the Central Belt of Scotland and also Central Southern England. SHE Transmission is the owner of the electricity transmission network in the North of Scotland and maintains the 132kV, 275kV and 400kV network in our area. SHEPD and SEPD are the DNOs in the North of Scotland and Central Southern England and distribute electricity from the transmission grid to homes and businesses in these areas.

We have a close working relationship with the ESO who is responsible for operating and balancing the GB transmission system. We welcome the opportunity to provide our views and evidence on how the ESO has performed across the seven key principles and how it can maximise consumer benefits across the full range of activities. Our views of the ESO's performance are shown in the tables below.

Yours sincerely,

Shane Ali

Regulation

Principle 1 - Support market participants to make informed decisions by providing user-friendly, comprehensive, and accurate information (*Ofgem areas of interest: 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, Ops Forum events and daily and monthly summaries of balancing costs*).

In our previous feedback to the ESO, we encouraged the setup of a working group between SHE Transmission, SHEPD and the ESO to try to improve the information available to customers in advance of a connection application. The main aim being to allow more informed decisions about what to apply for and where. We are pleased that this is now in place and work is ongoing to further improve the information available to customers.

Particular focus is now on creating a process and response timeline to which the ESO will turnaround notices (a variation to an existing Transmission Owner Construction Agreement) sent to them from SHE Transmission. The time taken to send these notices to SHEPD and directly connected Transmission customers varies and this is an issue that this new process seeks to resolve. It involves outlining the timescales in which a notice will be sent from the ESO to SHEPD and directly connected Transmission customers and is close to being in place. Further internal sign off is required by the ESO before the process is implemented. In addition, the ESO facilitates pre-application calls with potential connection customers prior to them making a formal application. The purpose of this being to give potential connection customers as much information regarding connection date, costs and works required.

Throughout the development of the ENA's Whole System Future Energy Scenario (FES), the ESO has provided a representative to participate in discussions. It has played an active role in helping the product meet its objectives this year. The ESO has also sought to invite all network companies to participate in a project aimed at building a bottom up spatial model for different heat decarbonisation pathways. The model will be shared with all participants, allowing for greater coordination of plans and assumptions and best practice to be shared more widely.

We are satisfied with the overall engagement to date across these areas above, as we are with the level of information dissemination and accuracy from the ESO. We believe this contributes significantly when planning and making decisions regarding our networks.

Principle 2: Drive overall efficiency and transparency in balancing, taking into account impacts of ESO actions across time horizons

(Ofgem areas of interest: 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. General satisfaction with the ESO's balancing approach, IT systems maintenance and improvements and satisfaction with the level of the ESO's transparency).

The ESO has been transparent and forthcoming across the areas set out above and has offered up further information and detail as and when requested. We value this openness.

However, we feel that there needs to be more coordination with the DNOs on procuring services as there could be further benefits of mitigating actions across Transmission and Distribution networks and further opportunity for whole system approaches that could drive greater efficiency and avoid potential conflicts, particularly as we develop our Business Plans for RIIO-ED2 and are required to respond to challenges associated with decarbonisation.

There also needs to be clearer information around forecasting assumptions and these should be more of a coordinated view of network requirements. We feel a greater need to develop more detailed forecasts and scenarios down to local level as the impact of solar, wind, decarbonisation of heat and transport continue to have a greater impact on the network.

Principle 3: Ensure the rules and processes for procuring balancing services maximise competition where possible and are simple, fair and transparent

(Ofgem areas of interest: The ESO's future of balancing services work stream including progress of System Needs and Product Strategy (SNaPs) and product roadmaps, regional development programmes (RDPs), new providers on-boarding experience, TERRE developments, non-BM access and the Power Responsive Campaign).

There has been a significant amount of work carried out in the Open Network's WS1a on flexibility services in an attempt to create a clearer understanding of general requirements relevant to all DNOs. This is a positive step and we welcome further developments and

ongoing engagement with the ESO through the RDPs. However, we feel more can be done to move further towards whole-system thinking. The focus on larger constraints means that some of the ESO proposals do not always scale. Furthermore, the work in the RDPs can sometimes be based on the ESO's requirements. As such, we believe there is a need for stronger relationships to ensure more two-way collaboration.

Principle 4: Promote competition in the wholesale and capacity markets (*Ofgem areas of interest: TNUoS and BSUoS customer seminar, BSUoS and TNUoS billing and reconciliation, code administration satisfaction, Charging Futures, experience of charging processes and publication of charging data*).

There has been recent evidence of proactive engagement from the code administrators in relation to charging modifications proposed through the CUSC mods, where these were highlighted to SHE Transmission at a sufficiently early stage for us to assess the impacts. Also, we are pleased to say that our engagement and levels of communication with the code administrators have been consistently meeting expectations.

Some minor concerns remain over a recent request for additional information as part of SHE Transmission's revenue forecast submission, which provided minimal timeframes to provide the additional information. We would like further engagement and better timescales for meeting such requests in the future.

Coordination of Distribution and Transmission arrangements along with engagement with the ESO on charging processes and publication of charging data have all been positive. The ESO coordinated a pan-industry task force to consider the treatment of BSUoS on behalf of Ofgem's Charging Delivery Body. The operation of this task force was efficient and focused.

Principle 5: Coordinate across system boundaries to deliver efficient network planning and development (*Ofgem areas of interest: Interactions with DNOs and TOs, network development roadmap consultation, NOA Pathfinder Projects, developing new ways of working with DNOs, Regional Development Programmes (RDPs)*).

More coordination and engagement with the ESO is evidenced around the regional FES work, with DNOs being able to feed information into its development. This is a very welcomed step forward and we are keen that this continues to develop with more interactions and inputs into future iterations of the FES. This though is yet to be formalised.

Our interaction with the ESO regarding the Assistance for Areas with High Electricity Distribution Costs (AAHEDC) is also working well. The scheme, which sits under Statutory Instrument No 528 (2005), enables SHEPD to recover costs from all GB Suppliers via the ESO. We feel this is being efficiently administered by the ESO and communications between SHEPD and ESO are clear and timely.

We do feel that the communication regarding the forecasting of Transmission Connection Point Charges (TCPC) could be improved. Both SEPD and SHEPD should be able to request a forecast of TCPC for a particular year. We are currently reviewing the TCPC forecasting process and will be seeking the ESO's participation in the provision of data. This should benefit customers in our Distribution Services Areas as we refine the forecast and more accurately reflect the TCPC costs. We are looking forward to further engagement with the ESO on both AAHEDC and TCPC now that we have a direct contact.

The ESO does has plans through the network development road map and NOA pathfinder projects to facilitate capturing and assessing a greater range of options to provide solutions to system needs. We are aware that the ESO has to facilitate capturing and assessing a greater range of options within the NOA process to provide solutions to system needs. Increased interaction with SEPD and SHEPD in respect to flexibility services would be beneficial in this regard.

SSEN also feels that the ESO's approach to offering connections to the tertiary windings of super grid transformers could be improved. The approach adopted by the ESO, whilst likely to be consistent with the drafting of CUSC at that time, does not consider whole system planning. SSEN continues to engage positively with ESO and we are in the process of raising a number of CUSC modifications, which are aimed at enabling coordination and whole-system planning in the future.

The NOA pathfinding projects are used to test a range of options to solve system needs with the aim of incorporating these into the NOA process with an appropriate cost-benefit methodology. Our experience over the past year has shown continuously good developments in this area. The ESO has engaged with SHE Transmission in webinar and face-to-face forums/meetings to provide information on its Stability, Voltage and Constraint relief pathfinder projects. We believe efforts to increase engagement should be maintained.

In the case of the Constraints pathfinder, the role of the TO and the use of existing connected generation parties in a) potentially providing solutions and/or b) facilitating the deployment of third-party solutions, needs further examination. In our view, the details around this will need to be clarified and set out in greater detail to help maintain the pace of development being aimed for.

In the case of the High Voltage pathfinder, the roles and responsibilities of the TO and ESO is firstly defining any high voltage requirements on the network, and in the technical assessment of the asset or market-based solutions that have been provided (from the TO, ESO or third Party). We feel this needs further examination given the TO and ESO each have a licence obligation to ensure the network is compliant.

Prioritisation of regions across GB based on the urgency of emerging operability issues has been proposed given the limited capacity of the ESO to simultaneously consider many issues across the full GB system. However, we need clarity on how a TO should progress with addressing voltage compliance issues outside of the ESO's programme which are not in the priority list, to ensure we can comply with our licence obligation (i.e. to develop and maintain a complaint network). Though a chapter was included in this year's NOA methodology on the 'ESO process for High Voltage Management', we feel further work is required to address our concerns on this.

Principle 6: Coordinate effectively to ensure efficient whole system operation and optimal use of resources (*Ofgem areas of interest: ESO's engagement on the ENA Open Networks including Future DSO arrangements, Power Potential, Enhanced Frequency Control Capability (EFCC), TOGA system*)

The ESOs engagement on the ENA Open Networks project has grown further with the relevant parties. It continues to work through issues raised on various principles.

The Transmission Outages and Generation Availability (TOGA) system is in the process of being replaced. The ESO hosted several workshops across GB to ensure understanding and the implications. These were encouraging. We believe the expected functionality of the new system will be beneficial for monitoring and reporting of KPIs.

The Network Access Policy (NAP) meetings are ongoing and the ESO continues to work collaboratively with TOs to develop ways to realise further consumer savings. The current NAP is to be replaced with single GB TO NAP with the draft being due 01/12/19. Planning for the current year is working well, however we recommend that the ESO dedicates more resource to work on Future Years, as pressures are likely to increase once T2 plans are finalised.

Principle 7: Facilitate timely, efficient and competitive network investments (*Ofgem areas of interest: Network Options Assessment (NOA) process and engagement, Electricity Ten Year Statement*).

We believe the FES, ETYS, System Operability Framework and the NOA process is the right way of identifying system requirements and to develop efficient and economic solutions on the GB system. We are aware that DNOs are directly feeding into the next FES, and this is a welcome move towards establishing whole system planning across the GB system. We believe this will be crucial if we are to meet future challenges of improving efficiency and customer service, particularly in terms of delivery of wider Government policy objectives e.g. around decarbonisation.

Commercial solutions developed by the ESO are now included in the NOA, along with more traditional asset-based build/non-build solutions. These commercial solutions provide constraint relief in operational timescales, but we believe the ESO has concluded that these solutions do not provide an increase in network capability (as per the asset-based solutions). Therefore, there needs to be careful consideration of the technical implications to the network if a commercial solution is preferred to an asset-based solution. These commercial solutions are a welcome addition to the NOA process, and aid in the development of an economic, efficient and coordinated system, however, the lifetime cost of these solutions needs to be sufficient (future based rather than historical), and to an appropriate level of maturity to ensure a fair comparison with the asset-based solutions. Further, similarly to the ESO critiquing the TO solutions and

the associated determined network capability uplift, the TO's should be able to critique the ESO solutions (and the associated determined network performance), to ensure the development of an efficient and economic system. We therefore feel that further engagement and examination is required on commercial solutions in the NOA.

In relation to facilitating competition in network investment, we are engaging with the ESO on the application of 'bundling' and 'splitting' in the NOA. We feel however that further work is required here to establish a robust methodology for competition in the NOA. We have noted to the ESO that in any such consideration of 'bundling', 'splitting' and 're-packaging', the smallest indivisible package of works is that which delivers system benefit in its own right, and that the resultant packages should be accompanied by a quantification of benefits and risks for consumers, and an assessment of asset stranding risk.