

27/02/2019

Sent via email only to [opennetworks@energynetworks.org](mailto:opennetworks@energynetworks.org)

## **Energy UK Response: Open Networks Project Consultation: Phase 3 Project Initiation Document**

Energy UK welcomes the opportunity to feed into the work of the Open Networks Project (ONP) as well as the work done by the ENA during the first two years of this complex aspect of the energy system transition. This work will continue to be of importance to energy stakeholders from across the UK energy system and Energy UK will continue to engage throughout 2019.

Products finalised in 2018 showed potential in developing greater harmonisation across the UK's networks and should be implemented in a timely manner by all network operators. This is a crucial time in the development of the UK's smart flexible energy system, and transparency and certainty will be core to ensuring continued market investment.

Energy UK would note that the summary of responses received to the Future Worlds consultation indicated a number of areas identified as more appropriate for Ofgem and BEIS to examine than the ONP's 2019 workstreams. Nevertheless, these areas are core to a number of the products set out under Workstream 3 and Workstream 1A Product 1 in the 2019 PID. This requires greater consideration and specific clarification within the work plan before the 2019 PID can be finalised and workstreams and products agreed.

As we approach the end of the ONP's intended timeline, it would be beneficial to stakeholders for the ENA, Ofgem, and BEIS to set out the expected process following the ONP. The 2019 evidence pack delivered to Ofgem and BEIS should be preceded by an explanatory document, setting out how the learnings and recommendations are expected to be considered, consulted upon and applied to business as usual moving forwards.

If the ENA or other stakeholders would like to discuss any of the details of Energy UK's response below, we would welcome continued bilateral engagement and engagement with Energy UK's many stakeholder groups, as was seen throughout 2018.

Sincerely,

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## Consultation Questions

### Q1. Which specific areas of 2019 work or Products are most important to you and why?

Respecting the ENA's request for most vital focus areas to be set out in this answer, Energy UK would identify the following areas as those which should be prioritised in the Open Networks 2019 workplan:

- **Workstream 1A Product 1: Flexibility Market Principles and Workstream 3 Product 1: Impact Assessment**, particularly in the development of consistent services and mitigation against conflicts of interest.
- **Workstream 1B Product 2: Whole Electricity System FES** - in providing greater visibility of the changing needs of distribution-level networks and encouraging market investment in the right projects at the right locations.
- Prompt progression of 'least regrets' actions, including data provision to market participants and improvement and homogenisation of UK-wide connections processes and other customer interactions.

**Workstream 3 Product 1: Impact Assessment** and **Workstream 1A Product 1: Flexibility Market Principles** are vital to identifying potential conflicts of interest. This will ensure that these can be mitigated or removed to ensure continued market confidence and investment. This should be incorporated into wider Open Networks work as a core consideration ahead of any trials or implementation. Energy UK is looking to compile research on this element of the transition to a smart flexible energy system and provide this to the ENA and Ofgem as additional input on the work of the ONP.

Alignment of UK-wide connections processes will facilitate greater transparency and simplicity for customers across the UK's network areas. This is increasingly important as the number of connecting parties and the types of connecting technologies continue to rise on distribution networks. At the same time, the ONP must continue work to improve connections processes for all customers.

A **Whole Electricity System FES** will enable greater visibility of the changing needs of distribution-level networks and facilitate greater planning for private and public investment. This is an important step towards addressing uncertainty across the industry. This would also enable initial assessment of the existing gaps in network monitoring capability, directing funding towards appropriate investment in distribution-level network monitoring technology.

### Q2. Are there any other areas of work or Products you would like to see included in the Open Networks Phase 3 work plan and if yes, why and how should they be prioritised compared with other work?

#### *Workstream 1A – Flexibility services*

Splitting this workstream into two sections is a sensible approach given the amount of resource required by each area, but it remains important to this workstream, as well as to other workstreams, that consistency and simplicity for market actors be delivered through alignment of DSO services and processes with existing and evolving NGENSO balancing services.

Alignment with ESO services should be incorporated into workstream products, and this workstream should be progressed quickly to ensure ongoing DNO trials of flexibility markets and broader DSO strategies from DNOs are aligned. To address this potential gap, Energy UK recommends including the alignment of DSO practices with NGENSO practices across all products of Workstream 1A, as it is in **Product 4. DSO Services – Commercial Arrangements**.

It may be appropriate to expand the workstream scope, as set out on page 20 of the PID, from "Good practice for whole system operation between network operators" to "Good practice for system operation between network operators and system operators, and between multiple system operators". It is important to recognise that much of this will be reliant on the developing ESO work plan and National Grid ESO's work on Whole Electricity System Thinking.

### Workstream 1B – Whole Electricity System Planning and T-D Data Exchange

Keeping ESO initiatives out of scope as set out in the plan will enable a divergence of national processes and standards and developing frameworks for DSO bodies. This would result in negative outcomes for market actors and for the electricity system, as divergence could cause issues with conflicting service outcomes and add to complexity for those offering flexibility.

The work of NGENSO in modernising balancing services and ensuring whole electricity system outcomes should, therefore, be reflected in the continued development of DSO frameworks and other distribution-level processes under the ONP.

### Workstream 2 – Customer Information Provision & Connections

Whilst the increased level of information provided by a **system wide resource register** will enable greater visibility of DER across the system, the value of this workstream would be greatly improved by the inclusion of a product exploring a **system wide network resource register**. While the system wide resource register is expected to incorporate some of this greater network visibility, it is important that this is a core focus of this workstream, to ensure that this resource is of maximum benefit to customers.

Setting out best practice for monitoring capabilities across secondary substation, medium voltage, and low voltage network assets to accurately indicate the state of the network will establish greater investment signals for networks and market actors. Developing a method for this information to be shared transparently, with due consideration for data protection and security requirements, will enable greater investment planning from those looking to connect or offer flexibility to the network.

Further consideration of EV readiness should be integrated into workstream 2 and workstream 4 of the project. Whilst the Low Carbon Technologies Working Group has produced useful events and outputs, it remains a closed group consisting of ENA members. Incorporating considerations of the need to continue to decarbonise power, heat and transport and a focus on the whole electricity system impact of this will aid in ensuring that changing requirements for future networks are taken into account.

### Workstream 3 – DSO Transition

It is important to transparency and stakeholder engagement that the full Baringa IA report be published alongside the consultation document to be released under **Product 1: Impact Assessment**, to give stakeholders the ability to assess the analysis fully, applying their own business models and knowledge base to the findings to highlight any gaps or offer additional information.

There is a question over whether or not it is appropriate for the ENA to continue exploring certain areas of Workstream 3, as is described below, but if Workstream 3 does proceed as planned in the PID, conflicts of interest should be examined under this workstream. Given the direct reference made in Action 3.5 of the BEIS / Ofgem Smart Systems & Flexibility Plan, it is important that an exploration of conflicts of interest in the future worlds be continued beyond the Impact Assessment, and that this be progressed in a transparent and inclusive manner.

Energy UK again welcomes the inclusion of conflict of interest examinations in **Workstream 1A Product 1: Flexibility Market Principles**, but finds that a broader examination of potential conflicts of interest between DNO and DSO should be explored under **Workstream 3**. Examining these potential conflicts and the range of options for mitigating potential conflicts will be core to ensuring continued participation in markets by a wide range of stakeholders. As such, this should be explored fully ahead of the implementation of a DSO framework, avoiding network investment in areas later found to be a conflict of interest.

Clarity here would be helpful in terms of directly stating whether or not the ONP will assess the appropriate level of separation between DNO and DSO bodies and functions. If this is to be examined under **Workstream 1A Product 1: Flexibility Market Principles**, this should be clarified. If it is not to be considered by the ONP, then this should be set out clearly to ensure that stakeholders are aware of how this will be taken forwards, as well as better understanding the potential limitations of ONP products and workstreams.

It would be beneficial for **Product 4: Review DSO Transition Roadmap** to incorporate a review of the ongoing activities of DNOs in progressing DSO strategies independently of the ONP. A number of DNOs have set out and begun to implement their own framework for DSO processes across their networks, with some already progressing actions from those strategies. These actions should be incorporated into the roadmap to ensure a holistic view of ongoing developments and that consistency is achieved wherever possible.

Workstream 5 – Communication and Stakeholder Engagement

Broader Open Networks engagement in 2018 was welcomed by Energy UK and showed marked improvements on 2017. This being said, the stakeholder engagement options set out in the plan and used to date focus on dissemination of information. Whilst these helped to inform a broad range of stakeholders on what the ONP is achieving, they may not effectively promote engagement. One notable impact of this approach is the greater number of stakeholders aware of the project but uncertain of how to effectively engage with and impact change in the project.

It would be beneficial to those stakeholders, as well as to the ONP itself, to host more open interactive sessions on particular products or workstreams. Workshop findings could be publicly shared and tested with the Advisory Group before being integrated into Open Networks workstreams.

It would be useful for stakeholders and Ofgem / BEIS to see details of the events held and number of attendees at those events, as well as a breakdown of what part of industry those attendees were from. This would aid stakeholders in knowing what level of engagement the ONP has and give some understanding of where increased engagement and input may be appropriate, including where the ENA may need to actively engage with certain stakeholder groups.

**Q3. Should any areas of work or Products be removed or deferred and if yes, why?**

There is a risk that running a large number of interdependent workstreams will result in certain areas being implemented or finalised before all the moving parts have come to a rest. Concurrent assessment means that potentially complimentary products risk contradictions or below optimal coordination. This risk should be noted and direct links made between interdependent and complimentary products, along with actions established to mitigate this risk.

The tight timelines for these products create an additional concern over the time available to adapt ONP products and workstreams to reflect stakeholder feedback. The time given between the conclusion of a consultation period and next steps for the product should be long enough to enable efficient and effective integration of feedback. In order to do this, certain timelines may need to be deferred to ensure that sufficient time is available.

It is important to ensure that feedback received in responses to Future Worlds consultation is integrated into the continued work of the ONP. Energy UK members have raised that Slide 13 of the summary of responses received to that consultation<sup>1</sup> indicates a number of areas identified by the ENA as more appropriate for Ofgem and BEIS to examine than the ONP. Nevertheless, these areas are core to a number of the products set out in the 2019 PID.

It should also be noted that under the future worlds’ timelines originally set out, these areas were intended to be passed to Ofgem / BEIS in summer of 2019. Given timelines for delivery of an evidence pack at the end of 2019, Ofgem progress may be delayed by continued examination of these areas under the ONP. Delaying progression of these areas to a review process led by Ofgem risks sub-optimal integration of ongoing market developments, as well as making it more difficult to define appropriate allocation of resources for implementation or investment to deliver at low cost for consumers.

The following areas were identified as more appropriate for Ofgem / BEIS to examine:

1. *DNO – DSO separation*
2. *DNO participation in flexibility markets as a provider*

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<sup>1</sup> <http://www.energynetworks.org/assets/files/Future%20Worlds%20responses%20summary%20v1.3.pdf>

3. *Neutral market facilitator as a regulated activity*
4. *Clarification of when it is appropriate to use of flexibility of the network itself*
5. *Need for backstop when the market fails to deliver*
6. *Some respondents suggested the pace of change implies that an incremental approach to transition is the only viable option.*
7. *A recognition that to implement some of the next steps will require the support of regulator and broader industry (e.g. Charging, planning standards and codes).*

Under **Workstream 3 – DSO transition**, a number of products can only be accurate if some of the above areas are incorporated. As these are identified as more appropriate for Ofgem and BEIS to take forwards, it may be most appropriate to remove these elements from the workplan and pass existing work on to BEIS and Ofgem in a timely manner. This would avoid encouraging investment and activity from DNOs that would later be costly to reverse or separate from other DNO activities. Failure to promptly address these questions risks slowing the rate of market investment in flexibility.

Clarity would be welcome on whether **Workstream 1A Product 1: Flexibility Market Services** will go beyond the identification of conflicts in setting out options for mitigation or removal of those conflicts. If this product is restricted to identifying potential conflicts then Ofgem will need to carry out work to mitigate or remove conflicts regardless of the findings of other workstreams.

It may, therefore, be more appropriate for Ofgem to take that work forward by delivering a public call for evidence in the first half of 2019 with a similar remit to **Workstream 1A Product 1: Flexibility Market Services**. This would enable Ofgem to progress this work without waiting for the ONP to deliver its 2019 evidence / recommendations, resulting in faster delivery of mitigating regulations and actions, preventing costly reversal of network investment, as well as avoiding unnecessary duplication of efforts.

In lieu of removing Workstream 3 completely, the ENA could instead set out the limitations of each product in initial scoping of those products. Establishing specific requirements and limits for products, as has been for the entire project in the PID, will enable the development of further analysis in those areas by Ofgem and BEIS in parallel to the work of the ONP. This is a potentially significant issue with the progression of the 2019 workplan, and should be directly addressed in the PID.

Workstream 3 Products impacted by this issue, either directly or indirectly, include:

- Product 1 – Impact Assessment
- Product 2 – Consolidate future world characteristics
- Product 3 – Key enablers and decisions required
- Product 4 – Review DSO transition roadmap
- Product 5 – Identify future world products to trial
- Product 6 – Further modelling

**Q4. Do you agree with the proposed Products for wider consultation and what other work should be consulted on and why?**

A large number of consultations are expected for the energy industry in 2019 and industry is hesitant to ask for additional consultations given a lack of available resource. Many energy stakeholders will have limited capacity to spare throughout 2019 and may be unable to engage in both existing an additional consultations. The use of workshops and interactive open sessions with industry would help to ensure engagement on important products that are not publically consulted on. Energy UK would be interested in helping in arranging or hosting such sessions as appropriate.

**Q5. Do you agree with the defined Dependencies, have we prioritised dependencies inappropriately or are there any missing?**

The 2019 PID indicates a number of dependencies, but does not identify how these will impact the work of the ONP or how potential conflicts or contradictions will be addressed. More clarity would be welcome on how these dependencies will impact the work of the ONP and how these impacts will be monitored moving forwards.

Energy UK believes that wider actions of the Smart Systems and Flexibility Plan (SSFP) should be added. Whilst some of those actions are not relevant, the work progressed under the SSFP will define the direction of travel across the energy industry. The work of the Energy Data Taskforce, definition of Energy Storage in licencing and legislation, and a range of other actions will directly influence the future operation of distribution networks, including the mitigation of conflicts of interest as set out above.

Within the SSFP Update Report<sup>2</sup> is an action detailed on page 17, whereby Ofgem has asked the ENA to establish a forum on Charging of Assessment and Design fees in order to ensure a harmonised approach. It should be made clear where and when this work will take place, including whether or not this will be performed as part of the ONP and which stakeholders will be invited to participate.

In addition, the Ofgem Network Access and Forward-Looking Charges work has set out that development of mechanisms to enable access rights between users as attributed to industry. This work has simultaneously been removed from the 2019 PID, and Energy UK would ask for clarity of where this work will fall and how it will be progressed.

**Q6. Is one consultation per quarter a suitable number and frequency, can you only support fewer or would you rather see more?**

One consultation per quarter seems appropriate as long as these are supported by appropriate stakeholder engagement activity. Energy UK would encourage ENA to work to ensure that these consultations are approximately equivalent in terms of resource required to respond. It should be noted that the number of consultations should continue to be driven by need rather than by convenience, and whilst it will be a constraint to incorporate additional consultations, Energy UK will engage with all outputs from the project.

It would be greatly beneficial to ensure that stakeholders are able to engage easily with these consultations by continuing to deliver webinars early in the consultation period. Additional engagement may be appropriate before and after these consultations, given the usually large size and scope of these consultations.

Energy UK would recommend an examination of the NGESO C16 Annual Review process, which included stakeholder engagement ahead of the consultation to enable input into what the consultation should focus on and deliver. Engagement following consultations should be wide and inclusive, reaching beyond the Advisory Group, and should directly address how the ONP is integrating comments into work moving forwards.

**Q7. Do you agree with the proposed Whole Energy Systems Workstream 4 and can you please provide any relevant Whole Energy Systems projects, initiatives or views that you would like considered as part of that new workstream?**

Energy UK will, in the coming months, release a series of papers entitled 'The Future of Energy', setting out a broad vision from industry of the direction of travel over the next ten years. This may be of value to the Open Networks workstream and Energy UK would be happy to engage further or answer questions based on that work.

It is important that the process for this workstream be transparent, as clarity is not given in the PID as to how this work will be delivered. Energy UK welcomes the creation of the Workstream 4 group and is glad to have been invited to participate, but Energy UK members were not aware of the group, its remit, or its membership. This should be clarified publically to enable transparency.

There is a risk apparent in the inclusion of gas considerations, in that the additional stakeholder engagement and research required may delay low regrets actions from being taken forward across

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<sup>2</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/756051/ssfp-progress-update.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/756051/ssfp-progress-update.pdf)

electricity networks and systems. This risk should be monitored and mitigated wherever possible to ensure these actions can be taken forward in a timely manner.

**Q8. How would you like to provide input to the Open Networks Project and be kept informed of developments?**

Energy UK will continue to engage via its seats on the Open Networks Advisory Group, as well as through consultation responses, direct engagement with the ENA, and open invitations to the ENA to the various Energy UK groups interested in the process, as was utilised last year.

Some Energy UK members have raised that, having responded to the Future Worlds consultation, they were not informed upon the publication of consultation responses and summary. Whilst, based on previous communications from the ENA, we assume this was an unintentional omission, it would be beneficial to ensure that those who engage with 2019 consultations are informed of any developments following on from the consultation.

**Q9. In what ways might the Open Networks Project improve the way it consults with stakeholders, beyond the Stakeholder Advisory Group?**

It would be beneficial for an up to date list of the membership (at an organisation level) of each of the groups set out in the project structure to be shared with stakeholders, to identify which groups have external representation. The membership of working groups developed to support individual products should also be set out to give visibility of where products may require additional support from specific stakeholder groups. This will aid in identifying where external stakeholder input is needed and where stakeholders can further support the ENA in developing the ONP.

**Q10. Do you feel the Open Networks Project has held enough stakeholder engagement events in 2018? What type of events would you like to see more of in 2019?**

Energy UK again welcomes the work of the ENA in broadening the stakeholder engagement in the work being delivered by the Open Networks project. The number of events met our expectations, but, as already stated, there would be additional value in ensuring 2019 events are interactive, offering the opportunity to directly feed into the ONP.

Energy UK has previously noted, and would note again, the importance of ensuring that engagement events used by the ONP are easily accessible, this includes in delivering updates at events that are free to attend, wherever possible. It would also be beneficial to set out on the ONP website what events the ONP will present at, which have been delivered, who has attended and what was or will be covered. Where this has been done to date by the ONP team, it has been welcome.