By e-mail to: opennetworks@energynetworks.org

22 February 2019

Dear Open Networks,

ELEXON's response to your consultation on Phase 3 of the Open Networks Work Programme.

Thank you for the opportunity to respond to the Open Networks Work Programme. ELEXON is the Code Manager for the Balancing and Settlement Code (BSC). We are responsible for managing and delivering the end-to-end services set out in the BSC and accompanying systems that support the BSC. This includes responsibility for the delivery of balancing and imbalance settlement and the provision of assurance services to the BSC Panel and BSC Parties. We manage not just the assessment, but also the development, implementation and operation of changes to central systems and processes. In addition, through our subsidiary, EMR Settlements Ltd, we are the Electricity Market Reform (EMR) settlement services provider, acting as settlement agent to the Low Carbon Contracts Company (LCCC), for the Contract for Difference (CfD) and Capacity Market (CM). EMR services are provided to the LCCC through a contract and on a non-for-profit basis.

We are strongly supportive of the development of flexibility markets, and stand ready to facilitate them in whatever way we can. ELEXON is already undertaking a number of initiatives to widen access to the energy markets, such as facilitating the delivery of Project TERRE[1], driving changes to improve efficiencies and cost reflectivity, such as market-wide Half-Hourly Settlement, and proposing solutions to energy market problems, such as our white paper on multiple suppliers which is now being progressed as BSC Modification P379. We also believe that the availability of high quality energy system data is a key enabler of flexibility markets, and we are actively participating in the government's Energy Data Taskforce. As such we would welcome an opportunity to meet with ENA to discuss how ELEXON might be able to work with the Open Networks programme, and the ENA team, to deliver the programme's objectives. In particular we believe that this would be helpful, due to the interface and dependencies between local flexibility and the existing balancing services set out under the Balancing and Settlement Code (BSC).

The views expressed in this response are those of ELEXON Ltd alone, and do not seek to represent those of the BSC Panel or Parties to the BSC.

Yours sincerely,

Peter Frampton
Market Architect, Design Authority

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[1] Project TERRE will enable System Operators across Europe to access balancing services from resources in other countries. Our implementation will also provide access to the Balancing Mechanism for behind the meter resources managed by independent aggregators.

ENA PHASE 3 PROGRAMME: ELEXON'S RESPONSE

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

Products	Reasoning
Workstream 1A	
Flexibility Market Principles	As the project moves closer to determining an operating model for Distribution System Operators (DSOs) in the future, andas Distribution Network Operators (DNOs) begin trialling projects to bring about flexibility markets, the impacts on the wider system and the full suite of adjustments we will have to make become clearer.
	Any developments in flexibility markets will need to make sense in the context of the wider system. And flexibility market principles will need to outline those interactions. Through ELEXON's in-depth understanding of the Balancing and Settlement Code (BSC) we believe that we could bring our expertise to the Open Networks Project to aid the area of developing markets and help the ENA design Distribution level flexibility markets.
DSO Services – dispatch and settlement processes	As we have previously stated in other, related, consultation responses, we believe that consistency of market arrangements is a key enabler of effective DSO services.
	With this in mind, we believe it is important to align DSO dispatch and settlement with the current market and settlement arrangements. ELEXON operates ELEXON Clear to provide settlement services to the energy industry, both for imbalance payments/charges and for the payment of some flexibility services including all balancing mechanism and, soon, TERRE payments. We believe that there may be value in utilising this existing infrastructure for settlement of DSO services. This would also be consistent with the industry desire to simplify and consolidate energy industry arrangements, as currently demonstrated in the Ofgem/BEIS Energy Codes Review.
DSO Services – commercial arrangements	We agree that determining which aspects of commercial contracts need to retain specificities for DSOs and which aspects should be common is a key step in removing barriers to DSO market participation.
	With regards the validation of service provision and feedback, we have a well-established Performance Assurance Framework, which current providers of balancing service providers are familiar with. We are currently reviewing our Performance Assurance Framework, and have simplified our register of settlement risks to improve understanding and help compliance. We believe it would be beneficial for industry to build on these arrangements. This would also be consistent with the industry desire to simplify and consolidate energy industry arrangements.
	We would be happy to discuss and demonstrate our Performance Assurance

	activities in more detail.
DSO Services – conflict management and co-optimisation	Resolving service conflicts will be one of the key issues to address before the widespread use of flexibility by DSOs. Getting conflict resolution wrong will introduce significant costs across the wider system, as efficient resources become unavailable due to uncoordinated actions or conflicting investment cases. Conflict management is considerably easier ahead of real time, so we are primarily interested in effective management of conflicts close to real time. This is particularly the case as more distributed resource participates in national balancing services, and is either unable to due to local network constraints, or creates local network constraints in doing so. This will have knock-on implications for balancing market performance, imbalance settlement volumes and payments and imbalance price calculations. Therefore any conflict resolution post gate-closure needs to consider balancing and settlement impacts. We note that some Future World scenarios are significantly more susceptible to inefficiencies and conflicts than others, roughly corresponding with the number of System Operators (DSOs and TSOs) in each.
Facilitation of new markets	We are supportive of the emergence of potential new market structures. Furthermore, we already provide a range of support structures to new market entrants. This includes training on aspects of the energy markets, and offering Operational Support Managers to all BSC Parties. We believe that well informed market participants reduce risk to the system, and that there is value in a coordinated market entry process across all aspects of the energy markets. Furthermore, new market design will need to consider interactions with balancing and settlement, including a common mechanism for flexibility platforms to report data into settlement. Market entrants would also benefit from a common mechanism for describing the flexibility needs of each DSO.
	Workstream 1B
Real time data exchange and forecasting	We are both a user and provider of data, on behalf of the GB energy industry. In particular, we currently use real time data to provide indicative system information, such as imbalance prices, prior to settlement runs. As the future system develops, we may need additional real-time information to indicate the impacts of DSO actions on imbalance and pricing. We also provide a real time feed of Balancing Mechanism instructions to the GB industry. This product will need to consider a common approach and one-stop-shop for market data reporting, to ensure simple and fair access to market data for participants and providers of value-add data services.

Workstream 2	
System Wide Resource Register – Detailed Design and Early Implementation	We believe that the availability of information on the location and performance of assets is a key enabler of local flexibility markets. This may include future developments of the balancing market in GB. Therefore, we are interested in the development and availability of a system wide resource register, and in particular the compatibility of the data it contains with markets and industry systems, including settlement.
Workstream 3	
Impact Assessment	The impact assessment of the Future World models will be a significant contributor to any decisions about the future model for ancillary services in the electricity system. Therefore, we believe this product is of particular importance. The impact assessment will need to be tested against the industry, and we are looking forward to responding to the consultation document.
Consolidate future world characteristics	Consolidation will help to shape the variety of Future Worlds on the table, and it is important for us to understand what these worlds could look like. The future DSO arrangements are likely to impact on balancing and settlement, and so we need to understand and accommodate those impacts. This is because the balancing and settlement arrangements are set out in the BSC, which cannot be amended without a formal Modification process. Any future world characteristics impacting current central arrangements should be mindful of the aims of the current Energy Codes Review, which reflects views that consolidation and simplification of the central energy governance landscape would be beneficial.
Key Enablers & Decisions required	We note that key enablers might be introduced via the BSC, in particular where future worlds envision alternative balancing arrangements and parties. We will continue to work closely with the Open Networks programme to identify and ultimately implement these, according to Ofgem/BEIS market design decisions. We would appreciate the opportunity to discuss actively managing this process with the product team.
Review DSO Transition Roadmap	We are particularly interested in roadmap actions that rely on, or that will impact, balancing and settlement arrangements. We will support DSO transition with any Code Modifications necessary, but effective notification of anticipated changes will help us to plan future resource requirements. The roadmap will have a number of dependencies as you have identified, including market-wide Half Hourly Settlement and Project TERRE (see response to Question 5).
Identify future World	If any trials impact on balancing and settlement arrangements, or can provide

Elements to Trial	information about potential future impacts on balancing and settlement arrangements, then it is important that we are able to engage and to carry those learnings into future BSC changes. Additionally, we would wish to be involved in trials that may impact on balancing and settlement arrangements. We can provide expertise to trial participants, and would hope to determine balancing and settlement impacts.
Further Modelling	Further modelling will help to shape the variety of Future Worlds on the table, and it is important for us to understand what these worlds could look like. The future DSO arrangements are likely to impact on balancing and settlement, and so we need to be prepared to understand and accommodate those impacts. We would request to be involved in any further modelling, as we were in the initial modelling for the Future Worlds.
Workstream 4	
Define ToR, objectives and scope for delivery in 2019	We are strongly supportive of a more holistic approach to system development and operation, and believe that adopting a robust but flexible 'Whole Systems' approach will bring multiple benefits to consumers. Indeed, we have recently argued for the combination of electricity and gas code governance, and the expansion of Ofgem's distribution licence condition introducing whole system obligations to include gas, transport, heat and planning in the definition of whole system.

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

No, we don't believe there are any other areas of work or products to include in the workplan.

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

No, we don't believe any areas of work or products should be removed or deferred.

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

We believe that if there are any material changes to the current Future Worlds as a result of WS4 P2 & P5, that these changes should be consulted on. This is because feedback has been provided on Future Worlds as currently designed, and does not necessarily carry forward to any variations on these Worlds. Given these worlds will be forming part of an evidence base for Ofgem and BEIS decision making, it is important that stakeholders have the opportunity to provide feedback on them.

We would also recommend that the Open Networks Project retains a flexible approach to consultations, not formally consulting when unnecessary and likewise introducing consultation where it becomes necessary to do so, as noted above. However, transparency for stakeholders must remain the priority. If the decision is made not to consult, the Stakeholder Advisory Group and other industry project groups must be involved in the decision making process. Appropriate measures must also be put in place to ensure interested parties are kept up to date with ENA decisions.

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

Market-Wide Half-Hourly Settlement (MWHHS) has not been included in the External Dependencies and Interfaces nor has it been considered as out of scope. We believe that this is a key dependency that has been missed as the outcome of this will affect how the DSO is able to operate within the market. In particular, we believe that the availability of MWHHS data could impact DSO operational effectiveness in some Future Worlds, particularly on DSO networks without widespread operational metering and network monitoring equiptment.

TERRE, the European project introducing shared balancing arrangements between some EU countries later this year, has not been considered as either a dependency or an exception although is explicitly considered in certain products. The wider implementation of Project TERRE in GB is important as it will deliver both a market model for multiple participating SOs in one market, but will also enable Virtual Lead Parties in Great Britain, i.e. independent aggregators, to participate directly in the Balancing Mechanism, which we believe to be a key enabler of flexibility.

We would wish to coordinate with the relevant product teams to consider these potential dependencies further, and to identify key touchpoints with the Open Networks programme.

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

We suggest that instead of initiating a consultation quota, it would be more beneficial to issue consultations based on need. We make this suggestion based on the ELEXON consultation schedule by which consultations are sent out to industry as and when needed. This ensures that the issues being consulted on can move as quickly as possible once the response deadline has passed. It is arguable that by sticking to a strict consultation schedule, the ENA may release too few consultations or release consultations that are too long with no distinct theme or purpose. Alternatively, too many may be released that are not required or entirely fit for purpose thus using resource inefficiently. Whatever route is chosen, it is essential that ENA is open and transparent with all affected and interested stakeholders, including ELEXON, and in a timely manner, on its plans and thinking.   We would wish, and believe that it is in the interests of the Open Networks Programme for us, to be involved directly in the development of thinking from the start (not waiting for consultations) in areas where the BSC would be impacted. This is particularly the case where the BSC would interface with potential developments, or where ELEXON, because of its long expertise, can assist and provide guidance with developing practical solutions, e.g. in settlement aspects.

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?

We are strongly supportive of a more holistic approach to system development and operation, and believe that adopting a robust but flexible 'Whole Systems' approach will bring multiple benefits to consumers. Indeed, we have recently argued for the combination of electricity and gas code governance, and the expansion of Ofgem's distribution licence condition introducing whole system obligations to include gas, transport, heat and planning in the definition of whole system.

Relevant initiatives to consider include the Ofgem/BEIS Energy Codes Review, Ofgem's developments on licence conditions to support a Whole System, the BEIS/HMT review of innovation in regulated utilities and the NIC study of regulation in utilities.

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

There are a number of ways that interested parties could be kept informed. Consultations are an industry standard for the sharing of information and ideas; however, these should not be a sole form of communication. To ensure complete transparency with stakeholders, participation in advisory groups or workshops would be beneficial, as would larger stakeholder events and webinars. Based on our own experience with stakeholder engagement, a variety of consistent communication has proven to be the most effective.

The 2018 review of Open Networks is a particularly good example of an informative and accessible update, aside from consultations and end of year reports, for those organisations who might struggle to engage more actively with the project or who do not fully appreciate the topics being discussed. You could consider more frequent publications in the style of the 'report at a glance' to provide stakeholders with an interim update, further improving transparency and openness. Provided the content would also be found in the end of year report, this may be achievable without posing significant additional resource burden on the project.

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

ELEXON are already a member of the Stakeholder Advisory Group where we provide insight and guidance into BSC impacted areas or settlement issues. However, we wish to be involved in as many relevant project groups as required to guide decisions with our expertise. Beyond the Stakeholder Advisory Group, ENA needs to ensure that those not in the group itself are involved in the project. As discussed in the question 8 response, a wide breadth of communication methods need to be in place to ensure that underrepresented groups are targeted for involvement. These groups can include domestic and I&C customers.

We would also like to take this opportunity to encourage Steering Group materials and decisions, where possible, to be published for transparency. This will allow smaller stakeholders to be informed about determinations that may affect them.

The ENA might also consider the use of shorter web-surveys for gathering views where a full consultation is not strictly necessary.

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?

Yes, we feel that the Open Networks Projects events have been of an appropriate nature and frequency.