By e-mail to: opennetworks@energynetworks.org

23 August 2019

Dear Open Networks,

ELEXON's response to your consultation on Flexibility.

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 our 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 developing flexibility markets, and stand ready to facilitate them in whatever way we can. We are already supporting initiatives to widen access to the energy markets, through Project TERRE, which is opening up access to the UK and European electricity markets, and driving the introduction of Market-wide Half-Hourly Settlement. We are also working to promote innovation in the energy market such as through our white paper on multiple suppliers, which is now being progressed as BSC Modification P379.

We particularly welcome the commitment from DNOs, GTC, the TOs and NGESO to facilitate the development of flexibility products and markets and deliver a more efficient and effective energy system for consumers.

Our detailed views in relation to the consultation are explained below. We have only answered those questions where we believed you would benefit from our input. For the avoidance of doubt these views are those of ELEXON Ltd alone, and do not seek to represent those of the BSC Panel or Parties to the BSC.

If you would like to discuss our response in detail, please contact Peter Frampton, peter.frampton@elexon.co.uk.

Yours sincerely,

Angela Love
Director of Strategy and Communications

FLEXIBILITY CONSULTATION: ELEXON'S RESPONSE

Q1 - Do you agree with these six steps and if not, please provide us with any rationale?

Yes, we agree that each of the steps represents an important commitment to increasing the use of flexibility to meet network needs.

Q2 - Are there any steps that you believe are missing or any elements of these steps that are not covered by the Open Networks Project developments and products?

The first objective of the Open Networks Workstream 1A is to 'Develop and deliver good practice and *convergence* of directly contracted DSO services to customers across DNOs to deliver a *consistent experience* for customers' (emphasis ELEXON's).

While convergence of practice and consistency of experience could be implied in the commitment to work together towards whole energy system outcomes, we are concerned that this does not go far enough. We believe that it is important to go beyond convergence and instead commit to developing a consistent framework for the procurement and operation of flexibility services. This would align with the objective of the workstream and Article 32(2) of the Clean Energy Package Electricity Directive, which states: 'Distribution System Operators, subject to approval by the regulatory authority, or the regulatory authority itself, shall, in a transparent and participatory process that includes all relevant system users and transmission system operators, establish the specifications for the flexibility services procured and, where appropriate, standardised market products for such services at least at national level.' In addition we further believe that by developing a consistent framework the DNOs will more easily achieve a consistent experience for customers, thus delivering more effectively on the Open Network objective.

We note that convergence of practice is covered under both the flexibility market principle of 'interoperability of solutions', and the commitment to 'work together towards whole energy system outcomes'. It would be helpful to have the flexibility commitments mapped to the flexibility principles.

We also believe it would be helpful to publish timelines and expected outcomes against each of the commitments and for these to be jointly approved by the DNOs. This would help to maintain focus on what is required to deliver the commitments and flag any issues as they arise. It would also serve to instil confidence in the programme and its work with wider stakeholders.

Q3 - Which elements do you believe should be prioritised and are there any suggestion to amend our workplan as a consequence?

It would be helpful to understand how the committed Parties plan to monitor and report on the use of and adherence to the six principles, so that stakeholders are aware of how the products and outputs of each organisation align with the principles.

There has been varying degrees of progress against the commitments across each of the DNOs so far. We support networks sharing best practice where they are making progress against delivering on these commitments.

Q4 - Do you agree with these six principles underpinned by simplicity and if not, please provide us with any rationale?

We agree with the principles and their associated explanations. We welcome the attention given to interoperability in its various forms, as we believe this is critical to the development of and participation in flexibility markets.

We particularly agree with the underpinning principle of simplicity. Simplicity of market rules and associated provisions (including market design and financing arrangements) is key to making participation in flexibility markets attractive for both DSOs and flexibility providers. This should include utilising established and familiar principles that work, and developing new principles where needed according to the requirements set out on page 4 of the [principles document](#).