



National Grid ESO Forward Plan Consultation Response | 5 March 2018

About the ADE

The Association for Decentralised Energy (ADE) welcomes the opportunity to respond to the Electricity System Operator Forward Plan.

The ADE is the UK's leading decentralised energy advocate, focused on creating a more cost effective, efficient and user-orientated energy system. The ADE has more than 100 members active across a range of technologies, and they include both the providers and the users of energy. Our members have particular expertise in combined heat and power, district heating networks and demand side energy services, including demand response and storage.

Summary

The ADE welcomes the principles set out in the Electricity System Operator Forward Plan: Delivery Schedule, particularly the focus on providing comprehensive information to support market participants to make informed decisions (Principle 1) and on maximising competition in the procurement of balancing services (Principle 3). We also welcome the recognition of the need to remove barriers to new types of service provider and to move towards increased procurement through open tenders.

Facilitating whole system outcomes

The ADE welcomes the emphasis on expanding network development processes, particularly the commitment to develop options analysis processes that include significant smart control solutions to delay or offset network investment needs. We would welcome further ambition in this area. We believe that there should be an assessment of potential smart control solutions as an alternative to network reinforcement in all applicable cases to determine which would be the more efficient solution.

Procurement of balancing services

We would welcome under Principle 3, firstly, a commitment that sets out the consultation and development process that will be followed for the new product suite and any associated guidance through SNAPS. Secondly, we would like the performance metrics for these outputs to include more detail regarding how the FFR testing and compliance policies will be judged to have been successful.

We would also welcome further details of the proposed integrated approach to buying standard and faster-acting frequency response. We believe that the commitment to improve participants' ability to stack products by removing exclusivity clauses should be a top priority in this area.

While we welcome the focus on development of markets for voltage, constraints and black start, we believe that an interactive process allowing for consultation with industry would be valuable in addition to the publication of thought pieces. Allowing industry to work with the SO to determine how to meet future system requirements is likely to lead to more transparent procurement of balancing services and the development of competitive markets in these areas. While the System Needs and Product Strategy (SNAPS) workstream has provided some details of the new products the SO will procure, more details around projected future system needs would be extremely valuable.

Clarity around interaction with Project TERRE and BM access

While Project TERRE is mentioned briefly in the Forward Plan, more detail would be welcome, particularly around the ability of Secondary BMUs to enter the BM. While TERRE is expected to go-live in Q4 2019, Secondary BMUs should be able to enter the BM at an earlier date than this. We would also like to see a performance metric relating to implementation of TERRE and BM access being undertaken in a way that minimises barriers to entry for small players, for example around prequalification testing and component reallocation. This metric should be based on the principle that all existing markets should be open to all parties and that new markets should be designed to facilitate access by all types of participant.

Reform of Balancing Services Markets

In the related section titled 'Reform of Balancing Services Markets' in the Electricity System Operator Forward Plan: Technical Annex, we are concerned that the 'on target' scenario - "we deliver all rationalisation and simplification actions for response and reserve identified in the product roadmap in 18/19" - lacks ambition. We believe that the 'exceeds expectations' scenario - "we deliver all rationalisation and simplification actions to the timeline laid out in the product roadmap and we deliver the auction trial for response in 2018/19" - should be used as the 'on target' scenario. Whilst we recognise the strong financial incentive on the SO to exceed its targets, the industry considers that the transition to day-ahead auctions is important enough to warrant being considered as the minimum acceptable ambition. We consider auctions to be important in opening up the frequency response market and that the timing of their introduction should align with broader shifts in the market. Whilst many of the proposed changes outlined in SNAPS, along with potential access to the BM through P344, will allow access to new markets and new revenue streams, this will take time and it is important that the market remains viable in the near-term.

We also believe that the auction trial for response should be day-ahead, rather than week-ahead. Stakeholder feedback to the SNAPS consultation overwhelmingly emphasised the importance of day-ahead auctions. Given that National Grid would, during a weekly auction, sometimes be procuring for the following day, it follows that no technical or administrative barrier exists to day-ahead procurement. We would therefore

strongly advocate for the 'on target' scenario under 'Reform of Balancing Services Markets' to be set at "we deliver all rationalisation and simplification actions to the timeline laid out in the product roadmap and we deliver a day-ahead auction trial for response in 2018/19".

We would also like to emphasise the importance of the rationalisation and simplification actions being delivered according to the timeline outlined in the Product Roadmap and the need for more clarity about the direction of travel in certain areas. We welcome, for example, the decision to remove FCDM from procurement but would like to see explicit confirmation about how National Grid intends to procure static primary response.

While National Grid have worked hard to keep stakeholders informed about the SNAPS process, there has been little opportunity for industry input during the intermediate stage between the initial SNAPS document and the publication of the Product Roadmap. We believe that including a performance metric that measures the ability for industry to input views when deciding between different options for product design would result in better product design and higher levels of stakeholder satisfaction.

Commercial Assessment Transparency

We welcome several of the commitments under the heading 3 of the Electricity System Operator Forward Plan: Technical Annex 'Commercial assessment transparency', particularly the metric incentivising the publication of clear, timely market information and results and ensuring that providers understand procurement decisions. We strongly support the principle of transparent procurement and would welcome the opportunity to work with National Grid and BEIS to enable more ambitious progress in this area while mitigating any risk of gaming.

Long-term Forecasting

Under "Forecasting accuracy", we welcome investment in day-ahead forecasting of demand, but would encourage National Grid to publish long-term system needs forecasts, with error boundaries if needed, to allow market participants to plan further ahead. While we understand that National Grid cannot offer guarantees of future system behaviour, we believe that, in the context of National Grid's separation, there is an opportunity for the SO to play the role of expert knowledge provider in relation to potential market futures. This would not involve making concrete predictions for the future direction of the market but would involve the SO understanding better particularly new entrants to the market and the information they need in order to be able to invest. This could involve, for example, outlining a range of possible outcomes and assigning a probabilistic assessment to each outcome.

Comments on consultation process

The ADE welcomes the introduction of this consultation on the SO's Forward Programme and would like to work with the Government and the SO to build on this further in the next few years so that the SO's customers can substantially contribute to the targets set – and see how their contribution has made a difference. We would also recommend that the consultation be conducted in a more structured manner. The Forward Plan should be presented in one document, rather than three linked ones, and should contain a series of consultation questions, rather than a general request for feedback.

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