

5 March 2018

## KiWi Power Response to Electricity System Operator Forward Plan documents

### Introduction – about KiWi Power

KiWi Power is a leading demand response aggregator and has been in the GB energy market since 2009, as well as operating internationally. We currently hold contracts with National Grid for reserve and frequency response services<sup>0</sup> and are actively adding to our demand response portfolio as well as being one of the leading battery energy storage system developers in the UK. Our current portfolio of assets under management totals 650MW. We also have several Capacity Market contracts currently live, and for delivery this year and in future years. We interact with National Grid, predominantly the System Operator, on an almost daily basis on operational, market and policy issues.

### 1. Main Forward Plan document

#### 2018/19 Deliverables and Actions: Specific items

<b>Increasing transparency of ESO balancing decisions</b>	<ul style="list-style-type: none"> <li>• From April: Trial and then implementation of tender result webinars.</li> <li>• Incremental improvements to the transparency of ancillary service documentation.</li> </ul>
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The deliverable is correct, but it is unclear how the actions are going to ensure that the deliverable is met. Specifically: tender result webinars must provide the information that market participants desire, to the appropriate level of detail and in a timely manner. They should serve as a vehicle for the ESO to explain its tendering decisions, and provide advice as to how bids will be assessed in the next tender round. Furthermore, the transparency of the ancillary service documentation needs to be dramatically improved, and incremental improvements will no longer suffice at a time when market participation is increasing and competition intensifying. It is crucial that the market documentation is as clearly written and as transparent as possible, and that the action for the 2018/19 delivery year reflects this. The action must also be objectively measurable, which is currently not the case. A baseline level of satisfaction with the transparency of ESO balancing decisions must be established, and then appraised again at the end of the delivery year to assess progress against this deliverable.

<b>Solving operability challenges</b>	<ul style="list-style-type: none"> <li>• From April: Significant upgrading of IT systems to prepare for European network codes.</li> <li>• Q3: Deliver new dispatch capability to enable participation of additional smaller distributed resources within our balancing markets.</li> <li>• Q4: First potential delivery date for new dispatch module of main balancing system.</li> </ul>
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Clarity on how these new systems will integrate with both existing National Grid IT infrastructure and whether any upgrades to our systems to provide an appropriate, secure interface with these new systems is needed.

<b>Growing participation and developing new markets</b>	<ul style="list-style-type: none"> <li>• From April: Grow Power Responsive campaign, including annual conference, and the Flexibility Forum to expand participation and develop our markets.</li> <li>• From April: Measure market diversity and new entrant satisfaction feedback.</li> </ul>
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There doesn't appear to be any focus here on developing new markets, just conducting a PR campaign around existing activities. These actions may help to grow participation in existing markets, but again the impact of the actions is not readily measurable or quantifiable. These actions must be both measurable and quantifiable so that Ofgem can assess the effectiveness of meeting them. For example, this plan should set out the areas where new markets are expected to develop over the deliver year – for example in Black Start or Reactive Power products, and set out a clear deliverable which would mark progress in this area.

### 2018/19 Deliverables and Actions: General comments

Overall, this plan lacks ambition and the actions that it has set out to meet the deliverables seem to be the minimum levels of 'business as usual' which the ESO should be carrying out, rather than offering a suitable level of stretch and development to an organization with a crucial role as the central buyer of a suite of products in the electricity market.

## **2. Delivery Schedule document**

### Principle 1

There is a lack of clarity about what the specific outcomes will be. The document talks about providing 'greater transparency', 'greater market insight' and 'more data', but it is unclear what the ESO envisages as a tangible output. Greater granularity and a firmer indication of outcomes is required, as it is currently impossible to ascertain how success will be measured. In addition, further explanation as to what, for example 'greater transparency' will consist of, and how the ESO will ensure that the output meets market expectations.

Furthermore, the plan sets out that progress can be measured in several ways – these are not adequate to ensure the ESO performs effectively. For example, simply delivering a series of webinars is not sufficient, the content of these webinars must also be useful. Similarly, hosting an 'Ops Forum' is not enough – it must also be a useful event. And being held to account simply for publishing documents with no assessment of their utility is also not good enough. To counteract this, the ESO should propose to Ofgem a mixture of qualitative and quantitative metrics which can be used to assess the effectiveness and utility of the information being provided and the delivery mechanism, rather than simply looking at whether certain milestones have been met.

### Principle 2

Again, there is little clarity on what the expectation should be with regards to a tangible output from the stated improvements. For example, it is unclear what 'improve visibility of the decision framework' means in reality. There is a risk that the ESO is either responding to a perceived issue which does not exist, or responds inappropriately to a real concern which is shared by market participants. Similarly, 'continue to improve the capabilities of our IT systems' is too broad, and not necessarily focused on providing a better service to market participants. The approach throughout must be to assess what the market is asking for, to agree with Ofgem what the asks are and what acceptable progress against that set of asks is over the delivery year, and to be held account to the degree to which those milestones are

met, and the quality of the output provided. As in Principle 1, too many of the progress measuring indicators suggested this principle revolve around simply publishing a document or meeting a milestone with no recognition being given to the content or utility of these publications to the market; it is essential that the view of the market is reflected in the assessment of the extent to which the ESO has made sufficient progress.

### Principle 3

This principle omits to mention a key driver for increasing the number of providers and market diversity – that is ensuring that new technologies are appropriately onboarded and able to compete in the balancing and ancillary services markets. It is only through being open to innovation and new technology that the ESO will be able to drive maximum value for current and future consumers. That this is currently missing from the future planning on market rules and structures is a cause for concern.

In terms of the improvements set out, many of these have already been articulated as part of the System Needs and Product Strategy work, and it would have been good to see that recognized through this principle, and built on to understand where the new regulatory framework will incentivize additional value over and above the existing planned workstreams as part of the SNAPS. In particular, it is unclear how ‘thought pieces’ will help to open up markets in the areas indicated – this should be via an open, consultative process with the market, whereby the ESO provides an overview of what the requirement is and the market provides the ESO with feedback on whether those requirements are reasonable, and whether they have the resources to meet that requirement, ahead of a competitive tender process to provide these services.

The key improvement listed is that of the ability to stack products by removing the exclusivity clauses. This should be prioritized by the ESO in the 2018-19 delivery year.

No specific comments for Principles 4-7

### **3. Technical Annexe document**

Very limited, if any, additional quantitative information was provided in respect of the areas of interest highlighted above. This annexe served to reinforce the viewpoint that the ESO must focus on providing the information that has been appraised by stakeholders and Ofgem to be useful, sufficiently detailed and appropriate. The current level of commitment, as reiterated in this technical annexe, is simply to publish materials in a timely manner. This should really be perceived as the bare minimum of just getting the job done and does not recognize the huge importance that the activities of the ESO has on the electricity system, and how it is able to reduce costs for consumers by actively fostering a competitive market atmosphere for its services. If the ESO is able to meet its regulatory expectations by simply making small, incremental changes and publishing market information alone, without industry acting as a check and balance on the content of the information being provided and how it is interacting with the market, then the regulatory framework will not be effective.

### **Overall comments**

1. The request for feedback and input to this plan was conducted on a very short timescale and in future more time should be allowed for the market and industry to

provide input – a few weeks is simply not sufficient to understand and appraise an annual plan.

2. In future, the ESO should formally consult using a standardized consultation document template or online form. Simply asking 'Is there anything missing?' is not enough to guide the industry to provide the level of feedback which will be necessary for Ofgem to effectively regulate the ESO. Publishing three documents which are all interlinked and contain different levels of information about the same topic is also not a good way of presenting the information. In future this should be done in one combined document.
3. The strategic aims are commendable, but the activities and deliverables do not clearly set out how they are going to be met, and in many cases fall significantly short of where they ought to be.
4. Furthermore, the proposed performance metrics are inadequate as they do not intend to take account of stakeholder feedback to the actions and activities of the ESO, which is the single most valuable way to assess the effectiveness of how the ESO is interacting with market participants. This will need to be taken account of alongside other metrics to avoid potential distortion, but is an essential part of the regulatory toolkit that Ofgem should look to use.
5. KiWi Power is happy to engage with both the ESO and Ofgem further on these and associated topics.