

By email only to: box.soincentives.electricity@nationalgrid.com

14 February 2019

Dear Sir or Madam

ESO Draft Forward Plan

Thank you for the opportunity to provide feedback on your draft forward plan for April 2019 to March 2021. This response is on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc.

Recently we have seen National Grid in their role as SO publish a series of documents, including:

- The Electricity System Operator (ESO) Draft Forward Plan;
- The Network Development Roadmap;
- The Product Roadmap for Reactive Power; and
- The Wider Access to the Balancing Mechanism Roadmap.

The content of these publications has important implications for the whole electricity system, which includes the efficient running of our networks. We are therefore keen to engage closely with the ESO to ensure that their objectives align with the needs of our customers.

In addition to responding to the individual questions as part of the ESO Draft Forward Plan consultation, the below summarises our feedback and recommendations following the ESO's recent publications:

- We acknowledge and support the significant role that the ESO will take in facilitating the energy transition. Due to the wide range of industry forums and reviews taking place in the electricity sector, the ESO has a responsibility to ensure that these are efficiently coordinated together. As part of this, we expect the ESO to flag in industry groups any reforms they are proposing, or are aware of, prior to implementation. By doing this as early as possible industry will be able to work through all available options and flag any potential unintended consequences;
- We agree with the rationale for expanding the ESO's Network Options Assessment (NOA) to include distribution options when considering transmission related issues, and we are ready to help facilitate this. Equally, as part of our DNO to DSO transition we are expanding our own options analysis to capture the full range of options available to resolve issues within our distribution system. We would also welcome the ESO's assistance to develop this.

- We support the ESO's work to address reactive power issues on the GB network. Through the Power Potential project the ESO and UK Power Networks have worked together to demonstrate a whole systems and market-led approach to managing reactive power. Alongside the ESO's proposal to establish a data-exchange with DNOs, we believe there is merit in defining both active and reactive power limits at Grid Supply Points (GSPs) to improve the management of these issues. We welcome the opportunity to discuss this matter with you further.
- We welcome the ESO's increased engagement with stakeholders such as UK Power Networks, whether this is through new projects, webinars, workshops, consultations or by other means. For example, we strongly support the ESO taking a proactive approach to managing system issues as early as possible and we see the Regional Development Programmes, which UK Power Networks has co-partnered with the ESO on, as demonstrating the benefits of this approach. However, to ensure that engagement is productive we request that the ESO takes a consistent and well-considered approach. For example, the ESO published a consultation 'Exploring how the ESO could be funded in RIIO-2' in October 2018, which only gave an 11-day period for stakeholders to respond; we believe this was insufficient time to enable all stakeholders to provide robust responses.

Response to Consultation Questions

1. Do you have any comments on whether our plans are heading in the right direction to meet current and future market needs?

In general, we support the direction of travel the ESO is taking in its Forward Plan, which recognises the importance of addressing cross-boundary issues. For example, metric 11, describes expanding the Network Options Assessment (NOA), to include options within the distribution system. There is also mention in the Forward Plan of developing commercial contracts and control systems with DER. We believe it is crucial that the ESO progresses these particular work packages in partnership with industry and DNOs as they transition to DSOs. Otherwise, if there is not a coordinated approach to evaluating different options and dispatching them, there is a risk of both duplication of effort and inefficient whole system outcomes.

We fully support the ESO closely engaging in industry groups that will help to improve market and regulatory arrangements. For example, several concurrent working groups covering network access, industry codes, charging arrangements and energy data will be key to meeting the ESO's wider objectives. To reflect this, we would like to see the ESO's Forward Plan more clearly demonstrate how they will work across these groups in a way that ensures they deliver in a timely and coordinated manner.

To meet current and future market needs greater data sharing is required between network companies, including the ESO and DSOs. For example, to support the ESO's national level Future Energy Scenario work we have provided granular data from our network down to postcodes. However, this data sharing must be reciprocated by the ESO so that we have greater visibility of how resources on our network are being dispatched, as this is essential for us to operate efficient and reliable networks.

2. Please give us your view on whether we are targeting the right activities, for example those that will deliver most benefit for consumers?

We would welcome more detail on how the ESO will work with DNOs as they transition to DSOs, as this will be central to realising consumer benefits during the energy transition. For example, the ESO's Future Energy Scenarios suggests that an increase in the uptake of DER will continue in the near future. This will further result in two way power flows between the transmission and distribution boundary. To address this in a cost efficient way for GB consumers, we support the ESO's work to develop data exchanges at Grid Supply Points i.e. at the boundary between the transmission and distribution system. Greater attention and coordination at this boundary will significantly help the ESO and DSO to manage constraints.

The draft ESO's Forward Plan contains several references to improving the connections process, for example, Principle 6 mentions working "with customers through the early phase of their investment to ensure the connection point offered reflects the best whole system outcome". To achieve this we believe it is vital that customers are aware of the connection options available to them both on the transmission and distribution network. Without customers having sight of these options/quotes, there is a real risk that they will be exposed to increased costs and miss out on future opportunities that may benefit the wider system. Furthermore, without greater coordination between transmission and network companies concerning new connections at the boundary between transmission and distribution, there is also the risk of unintended consequences leading to inefficient whole system outcomes.

3. We present in our plan, how our activities will meet and exceed baseline expectations between 2019 and 2021 (see page 5 for definition of exceeding baseline expectations), do you have any comments on this?

We support the ESO doing its best to exceed expectations. A key success of the GB regulatory framework is its focus on measuring performance with respect to well-defined outputs. In Ofgem's definition of 'exceeding expectations' they require that evidence to support achieving this should be "clear and tangible"; we therefore recommend that for each metric there is up front clarity of what qualifies as tangible evidence.

Our broader view is that all of the metrics agreed for the ESO must be measurable, clearly defined, with fully transparent and independently auditable outputs. Where feasible, we believe metrics should quantify the consumer benefit available and how the ESO will realise this. We would also welcome a clearer explanation in the ESO's Forward Plan as to how they have justified their new metrics. This explanation should be evidenced based and demonstrate how the ESO has tested their ideas with stakeholders as part of the decision process.

4. Do you agree that our metrics will allow us to track our performance as we deliver against our plans?

As stated in our response to Question 3 performance should be measurable and in line with consumer benefits. For example, in RII0-ED1 outputs and incentives on network performance, as measured by the number and length of interruptions to supply have demonstrably been a powerful way of improving service levels. We have concern that some of the ESO's proposed metrics e.g. metric 14 on 'right first time connection offers' are difficult to both benchmark and monitor the success of independently.

We would support ways of quantifying the consumer benefits of different metrics, as currently it is difficult to evaluate which areas the ESO should be prioritising. Further to this, it will be appropriate for some metrics to be defined with reference to a longer timeframe, due to the nature of system changes.

To summarise, we believe greater coordination between the ESO and DNOs as they transition to DSOs, will be pivotal to unlocking the consumer benefits associated with facilitating whole system solutions.

If you have any questions on the above, please do not hesitate to contact me in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Hope', with a stylized flourish at the end.

James Hope
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UK Power Networks

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