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NGESO Forward Plan 2020-21 Consultation

On behalf of SP Energy Networks (SPEN), I am pleased to provide the following feedback on your Draft Forward Plan 2020-21, published in December 2019.

Overview

The Forward Plan continues to provide a comprehensive and detailed view of the ESO's business strategy, roles, activities, deliverables and performance metrics.

Explanation of the ESO Vision and strategy is helpful and the presentation of what success looks like in 2025 gives context and a framework for the Plan. However, the granular level of the Plan does make it difficult to see where current progress is in relation to the pursuit of these overarching goals. High level metrics, or core metrics as proposed by Ofgem, would be a valuable addition to the performance metrics. For example, it is not clear what "*An electricity system that can operate carbon free"* means in terms of a performance metric or set of metrics. What is the duration and extent of carbon free system operation now? What will 100% carbon free operation look like? Similar clarifications and commitments for the other success factors would also be helpful.

The changes proposed in the ESO's second Forward Plan generally look appropriate with stakeholder feedback having been taken on board in some areas. We welcome alignment towards the RIIIO-2 price control framework, and in particular the move from four to three roles.

We do however note that many of the delivery dates have slipped from the previous Forward Plan. Where deliverables have been delayed, the ESO should explain why this is the case and what actions are being taken to avoid further delay.

Disappointingly there is very limited reference to the role of the DSO in this Forward Plan. There should be acknowledgement from the ESO of the role the DSO can play in reducing the overall cost to the consumer by working with and supporting/meeting the ESO's system operation requirements where it can. Furthermore, while the ESO foresee areas of rising balancing costs, there are no real specific plans/actions outlined to reduce the cost of balancing the energy system. We believe the DSO framework will have an important role to play in reducing balancing costs.

We have provided more detailed comments against each role below.

Role 1: Control Centre operations

We note the proposal under Whole System Operability to measure inertia is framed in the context of the broader transition from DNO to DSO. It is important the ESO is clear on the boundaries of their responsibilities in this area and continues to work closely and collaboratively with industry and TO/DNO partners to develop effective whole system solutions.

We also believe that generator compliance is key to ensuring that the ESO can fulfil its role in ensuring a Whole System approach which limits the risk of events such as August 9th 2019 occurring again. A metric such as reporting how many generators have had their compliance verified in the last five years could be appropriate to address this identified risk going forward.

Closely linked to generator compliance is the provision of adequate models and data to other network operators/owners and any other stakeholders who have legitimate requirements to have access to this data. This is not an area which is addressed in the Plan however we consider it an area where improvement is necessary. Performance could be measured in terms of the completeness of the model sets shared with the network operators and other key stakeholders.

The proposals for "Deeper system access planning" also takes the ESO into an area of shared responsibility with network operators. Again, it will be important that such activities respect the roles and responsibilities of each party.

Transmission network access and optimisation of network availability for customers is a strong focus for our transmission business. We are fully committed to providing services to the ESO which balances the risk of reliability and availability with consumer costs through constraints. It is imperative the performance metrics proposed are aligned with network companies' own performance metrics in these areas. We are confident the good working relationships established through the auspices of the Network Access Policy (NAP) will continue. The draft revision to the NAP developed for the RIIO-2 Business Plan submission should be used as the vehicle to align key performance indicators for TOs and the ESO.

The introduction of the 'Delivery of zero carbon operability ambition' metric is positive. However, it is unclear as to how this will be measured or evaluated other than through the milestone deliverables in RIIO-2. It would be helpful to understand the extent of low carbon system operation now and we would propose introducing this into the current Forward Plan, rather than waiting for RIIO-2.

Role 2 - Market development and transactions

The focus of Role 2 is on balancing services and product roadmaps for Response and Reserve and Reactive Implementation. As a networks operator we are interested in the progress and development of how these solutions will interact with traditional infrastructure solutions as we move towards an increasingly flexible, disaggregated low carbon system.

We welcome the initiatives for developing frequency response, reactive power and demand side response. However, it is important that a level playing field is maintained for these different types of solution and services and the long-term benefits of infrastructure are not lost through a short-term focus on commercial alternatives. SPEN is strongly of the view that the Capacity Market needs to deliver energy in the right locations so as to optimise network capability. Locational charging signals may be required, and we await with interest, the outcome of the Targeted Charging Review (TCR).

Role 3 System insight, planning and network development

The scope of the activities and deliverables in this role are areas of significant interest to us as an owner and operator of both transmission and distribution networks. Areas of particular interest include developing whole system thinking and solutions; delivering the Pathfinder projects, developing projects under the Network Options Assessment (NOA) process; developing and delivering projects as part of the Regional Development Programme in South West Scotland and preparing for competition in onshore transmission. We see ourselves as a key partner, working alongside the ESO in providing services and solutions for the benefit of not only customers in our network areas but also those in wider consumers across Great Britain (GB). We offer comment on some of these key areas, where collaborative working will be necessary to deliver successful outcomes:

Whole System solutions
We support the work the ESO is undertaking with Open Networks and through other industry work streams. Collaboration and joint working across both the transmission and distribution networks will be key to unlocking whole system solutions for the benefit of consumers. We note the whole electricity system learnings publication date has slipped and this undermines the ESO's ambition to be a thought leader in this important area.

Delivering Pathfinders
As operators of both transmission and distribution networks, we have a strong interest in the ESO's suite of Pathfinder projects, which aim to deliver market solutions to network issues. There is no doubt that the TOs and DNOs will have an important role to play in evaluating and assessing the quality of the market proposals which will offer solutions for our networks. We therefore look forward to further engagement with the ESO this year on the roles and responsibilities of network operators in the delivery of Pathfinder projects.

We note the latest proposal for a Constraint Management Pathfinder and will await, with interest, the outcome of the proposed Request For Information (RFI).

Networks Options Assessment
The enhanced communication proposals are important, and we highlight the need for the effective scoping of the RFI, based on well understood system needs. We would welcome the opportunity to inform these RFIs as our transmission network area is at the leading edge of low carbon operation with 97% of generation connected being low carbon. The increasing lack of inertia, volume of distribution connected generation and the proximity of the distribution networks to the transmission system bring the challenge of operating a carbon free energy system into sharp focus now, compared to the GB network as a whole.

Regional Development Programmes
Our transmission business is continuing to develop our plans in Dumfries and Galloway to connect multiple sites through our Generation Export Management System (GEMS). We are pleased to see more detail of this included in the ESO's Forward Plan including the proposed 'go-live' date of GEMS which is planned for Q1 2022-23, in line with customer connection agreement dates.

Similarly, the increased details referenced in your plans of our SPD innovation project for the active network management (ANM) roll-out in South West Scotland is also welcome.

Early Competition
Whilst we understand that more detailed proposals for Early Competition are forthcoming, we must emphasise the need for joint working with network companies to clarify the roles and responsibilities for identifying, managing and delivering solutions within our network. We accept that the timing of the draft Early Competition Plan submission to Ofgem prevented full details being included in this draft of the Forward Plan and that more details will be included in the finalised Forward Plan.

More detailed feedback on the proposed metrics can be found in the Annex below.

I would be happy to answer any questions you have on the issues raised in this response.

Yours sincerely

S. Anderson

Policy and Economics Manager

ANNEX A

SPEN Feedback on Performance Metrics

Effective, optimised system access and outage management is crucial to the delivery of net zero ambitions, whilst maintaining security of supplies and reducing consumer bills. The interaction and whole system approach adopted by network operators and the ESO must be properly aligned and incentivized to ensure this happens.

It is right that companies work together to mitigate constraint costs as these will inevitably rise in a flexible low carbon network. The proposed performance metrics and incentive framework must therefore drive the right behaviours to achieve the balance of mitigating constraint costs, whilst developing and managing a network capable of delivering net zero goals.

It is imperative that the TOs' and ESO's RIIO-2 regulatory incentive frameworks and performance metrics align in respect of system access and outage management. We therefore welcome the inclusion of this consideration in the Forward Plan. The Forward Plan explains that:

"As part of RIIO-2 we have also proposed a number of performance indicators to sit alongside these metrics. The performance indicators provide a wider view of the ESO performance but are not proposed as formal RIIO-2 metrics because they are items over which the ESO may not have direct control, or measurement can be challenging with a risk of duplicate reporting".

The alignment and preparation with this plan and RIIO-T2 is positive. However, the changes in numbering and roles can be difficult for stakeholders to follow. It is important that historic performance can be tracked from RIIO-T1 to RIIO-T2 where the same metrics are being applied, and the ESO should bear this in mind for this Forward Plan as well as those planned for the RIIO-2 period.

We lay out our comments on some of these metrics below:

Metric 11: System Access Management

This metric is useful as it is intended to drive down the number of planned outages that are delayed by more than an hour or cancelled by the ESO in the control phase, due to process failure. It is also important that metrics are developed to measure ESO performance during the Optimisation and Delivery phases of the within year outage planning process. This will be a positive measure that supports network companies delivering the network connections, upgrades and maintenance necessary to deliver a net zero future and a reliable and efficient transmission network. Flexibility on short term outage requests are part of this process and it is important the ESO can support these where possible.

Metric 12: Customer Value Opportunities

It must be borne in mind that the activities outlined under this metric are ones in which the network companies have a major role in delivering and, therefore, there is a risk that the outcomes of such activities are presented as consumer benefits that the ESO has achieved, rather than being attributed to the TOs.

Metric 14: Right First Time Connection Offers

We support this metric and consistently review the connections process across the TO/ESO boundary to align on quality and process.

However, we believe that from a customer point of view the distinction and differentiation of where an error occurred in the process (page 45) is not necessarily helpful for them. It also suggests a lack of ownership in the connections role that the ESO is intended to perform. As a TO we are committed to getting Connection Offers right first time and we will measure and report on this during RIIO-T2. The methodology to measuring where a quality issues arises needs to be clear and consistent across the ESO and TOs.

Metric 15: NOA consumer benefit

The investment planning process is a shared activity between the ESO and TOs. We fully support the NOA process and recognize the benefits from TOs implementing the right network investment solutions at the right times.

It is not clear that the baseline targets are reflective of the right balance of solutions being brought forward. These should be determined on their own merit and therefore having a baseline to achieve may not bring forward the right solutions.

Proposals for RIIO-T2: Number and type of parties tendering for restoration services

We suggest that a more appropriate measure for this metric for this could be estimated restoration time. If the new black start standard sets an expectation for what this should be then the ESO might reasonably be expected to report on whether that expectation is likely to be met, and if it is not met, by how much.

Proposals for RIIO-T2: Capacity saved through operability solution

This is a positive proposal to start tracking in the next period although it is another example of where benefits are jointly delivered by network companies and the ESO working together. We would encourage this to be clearly evident in the reporting of this metric.

Proposals for RIIO-T2: Capacity saved through our access planning actions

We fully agree on the need to collaborate to mitigate constraints and ensure they are arising in the right areas of the network at the right time, for the right cost. Our RIIO-T2 Business plan[1] proposes a package of measures to optimise our system access and mitigate our constraint impact during RIIO-T2. We include two bespoke output delivery incentives to optimise system access on the one hand, and mitigate the risk of high constraint costs on the other

[1] https://www.spenergynetworks.co.uk/userfiles/file/SPEN-RIIO-T2_Business_Plan.pdf

The first is **'Optimising Network Availability for Connected Generation'** which will drive effective and proactive use in three key areas. These are: (1) apply dynamic line ratings to constrained areas of our network to provide better availability for generators; (2) provide additional services to reduce duration of planned outages where generation and demand is affected; and (3) identify alternative design or constructive solutions at an early stage to mitigate the effect of major construction works on connected generation.

We forecast this could avoid curtailment of generation in constrained areas of the network, providing up to 256,000MWh of additional low carbon generation each year.

The second is **"Whole System ESO-TO Constraint Mitigation".** This incentive builds on existing arrangements that provide funding for TOs to mitigate the risk of high constraint costs associated with network outages. It will drive solutions to be based on the forecast £m of constraint costs avoided through the provision of our services, delivering consumer benefits of approx. £22.8m per annum.

It is essential we can achieve consistency of approach and reporting in this area and ensure our respective contribution to the overall goals of optimising network availability and mitigating constraint costs from essential network outages are transparent to all parties.

A shared incentive that can help bring these different proposals together is the NAP. A jointly developed NAP draft was included in each of the TOs' RIIO-T2 plans[2] and had been agreed with the ESO.

This draft revision of the current NAP extends the scope to include NGET and identifies process enhancements for the RIIO-T2 period proposed by the TO to the working relationship between the TO and the ESO above and beyond the baseline level of outage planning, customer service and operation of the GB electricity transmission system as specified in the System Operator Transmission Owner Codes & Procedures. These enhancements are designed to assist the ESO in managing system costs and to deliver added value for consumers.

The NAP will be subject to stakeholder consultation and regulatory approval throughout 2020 and presents an opportunity to align the incentive proposals and performance metrics each TO and the ESO are incorporating in relation to system access and outage management into their business plans.

It is vital the regulatory frameworks across TOs and the ESO aligns in key areas such as system access and outage management to ensure we can collaborate effectively to mitigate constraints and optimise low carbon generation flows onto the network. This must be achieved in the context of enabling system access to connect new low carbon generation, upgrade our network to transport this energy to centres of demand, and maintain our assets to ensure continued high levels of network reliability.

Additional metric proposals from SPEN: Accuracy of constraint cost forecasting

Given the ESO's focus on reducing balancing costs, the accuracy of the ESO's of constraint cost forecasting is important. Key industry investment and operational decisions are also based on the ESO's constraint cost forecasts. Therefore, all parties need to understand the accuracy of the ESO' constraint cost forecasting. We propose that the ESO develops and share metrics that measures the accuracy of

[2] https://www.spenergynetworks.co.uk/userfiles/file/GB_RIIOT2_NAP.pdf

their constraint cost forecasting and that these should be included as part of the ESO's RIIO-2 metrics. We would suggest the following metrics are included:

- Year ahead constraint cost forecast vs actual
- Monthly constraint cost forecast vs actual
- Weekly constraint cost forecast vs actual