

# ELEXON

21 May 2021

By e-mail to: [box.WholeElectricitySystem@nationalgrideso.com](mailto:box.WholeElectricitySystem@nationalgrideso.com)

Dear Julian,

## Consultation on enabling the DSO transition

Thank you for the opportunity to provide/share our views on your proposed strategy to enable the transition to DSO.

As you are aware, 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 central systems and processes.

In addition, through our subsidiary, EMR Settlement Ltd, we act as settlement agent to the Low Carbon Contracts Company (LCCC) and the Electricity Settlements Company (ESC), calculating, collecting and distributing payments to Contract for Difference (CfD) generators and Capacity Market (CM) providers. EMR services are provided to the LCCC/ESC through a contract and on a non-for-profit basis.

We are highly supportive of the industry efforts to implement DSO, and will continue to work to find solutions to enable flexibility and reduce costs in all parts of the electricity system.

We have limited our response to areas where we feel we can add value. If you would like to discuss any areas of our views, please contact Peter Frampton, Market Architect Team Leader at [Peter.Frampton@elexon.co.uk](mailto:Peter.Frampton@elexon.co.uk).

Yours sincerely,

Angela Love  
Director of Future Markets and Engagement

# Elxon's response to ESO's consultation on enabling the DSO transition

**Question:** Do you have any comments on the draft vision for each of the 10 coordinating functions as described in Annex 1?

**Service Procurement:** We strongly agree that ESO, DSOs and wider market processes need to be coordinated and aligned to achieve maximum value from the DSO transition. We believe this value will be driven by;

- Reducing barriers to market entry and participation, saving costs for market participants and increasing competition.
- Optimising market actions, reducing waste and increasing action efficiency.

Service procurement across ESO and DSO markets will interact in real time as services dispatch and availability changes depending on prevailing system needs. We also believe there is a need to define the interaction between ESO and DSO services during settlement, as the procurement of services in each sector affects the others.

In defining these interactions will need to include establishing how DSO actions are accounted for in imbalance pricing, and how volume related to DSO actions is allocated between market participants. We believe these conversations form a baseline of change necessary to ensure DSO markets work efficiently and effectively as part of the whole electricity system.

We also believe that existing industry services, including those involved in the imbalance settlement process, can change to best accommodate new DSO actions. This includes;

- Publication of operational data, similar to data hosted on the [Balancing Mechanism Reporting Service](#).
- Calculation of invoices for system services based on instructions and metered data.
- Transfer of funds between Parties.
- Administration and governance of contractual relationships between multiple market participants.
- Monitoring credit and performance against contractual arrangements.

In addition to the existing systems and processes serving the market, Market Wide Half Hourly Settlement will provide additional data and capabilities to support emerging markets and allow market participants to develop innovations to improve electricity market efficiency.

Effective coordination of services across ESO and DSO markets will result in better outcomes for customers and for market participants via reduced barriers to entry and optimised market operations. We look forward to working with the ESO and the wider industry to enable DSO and a smarter, more flexible electricity system.