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Dear Sirs

Consultation on the ESO's approach to Distribution System Operation

Thank you for the opportunity to respond to your recent consultation. Electricity North West Limited, as the Distribution Network Operator for the service area that serves 2.4 million customers in urban Manchester, Lancashire and rural Cumbria, are already progressing our work to provide Distribution System Operations. This consultation and ongoing dialogue is a positive step towards deeper collaboration as we each prepare our plans for 2023 onwards. It should be noted however that this is only one stage of development and the ESO plan can only be fully informed once DNO's business plans become available for detailed review after submission.

We welcome the ESO's clear statement that you do not wish to be a DSO and commend you for drafting the principles and proposals on how the ESO can support and facilitate the transition of DSO.

One over-arching observation we would make is that in order to aid common understanding for all parties, both licensees and non-licensees, that consistent terminology across the sectors is critical.

We are of the strong view that the Open Network project should continue to act as the main coordination and delivery mechanism for ESO and DSO activities. The delivery mechanism for the cooperation and development of policy is through the Open Network project and over the last few years the ESO has been a welcome and supportive contributor but in certain key areas has frustrated the coordinated delivery of Products, choosing to manage their own programmes, like Pathfinders and Regional Development Plans. WS1A P4 (Common contract) is an example of where the ESO has stated a clear commitment to standardise but has failed to deliver on that commitment. To deliver the 2025 ambition shared within the consultation, there will need to be a step-change in the commitment and delivery on such commitments made within the Open Networks project.

We look forward to our continued dialogue as our respective plans develop.

Yours sincerely

Simon Brooke
Acting Head of DSO



Annex 1: Detailed responses to the consultation questions

Below are our detailed responses to the specific questions you raised within your consultation.

1. The ESO's principles to enable the DSO transition

Do you support the proposed principles and approach to the DSO transition?

Yes, we support the proposed principles. We welcome the clear statement that the ESO does not have any ambition to be a DSO and we agree that we must cooperate and coordinate our activities in the future for the best outcome of electricity customers. Our own plans for DSO transition are intrinsically linked to the achievement of net zero for the north west region and we are heartened by your recognition that ESO and DSO coordination aids the journey to net zero.

2. Our proposed 2025 vision

Do you agree with our proposed high-level vision?

Yes, we support the need for cooperation and coordination between the ESO and DSOs and we found the graphic useful to indicate where such cooperation and coordination is required between the roles and activities of the ESO and DSOs.

Do you have any comments on our proposed high-level vision?

We don't believe that your graphic is strictly correct in several areas. For example, within the DSO framework it is not as clear cut as the graphic suggests that the 'charging and access' and 'codes and frameworks' areas are within the market development role. There are elements within these areas that fall within both the planning and network development role and the network operations role; for example, distribution is still a way behind transmission in the development of the frameworks that govern the services market.

Do you believe that there are any further co-ordinating functions between ESO and DSO that we should be considering?

Although we welcome the simplification that the graphic strives to achieve, the nomenclature across distribution and transmission is not consistent and so we would suggest that an important area of cooperation between ESO, DSO, BEIS and Ofgem is the development of a set of consistent terminology. For example, access which is well defined within transmission doesn't have the same meaning in distribution.

Do you have any comment on the draft vision for each of the 10 co-ordinating functions as described in Annex 1?

Below we provide some additional comments for each coordinating function outlined in your consultation.

Long term energy scenarios: We agree with your 2025 vision and over the last few years ENWL has been instrumental in developing the framework for the continued engagement and data sharing between the DNOs and the ESO. In 2020 we led the push for the DNOs to adopt the FES scenarios framework to ensure that our stakeholders have a common understanding and we supported the development of the building blocks for sharing common data between the licensees. Whilst we agree that FES and DFES are separate activities with their own documentation, we strongly disagree that we should "use the national FES in developing the DFES publication in their licence areas". Our world leading ATLAS forecasting methodology uses bottom-up modelling to create regional forecasts that reflect the needs of local stakeholders. The local trends and insights captured in DFES through our cycle of engagement with local stakeholders can inform the national picture and add value to FES

publications. So we believe it is FES that should be taking into consideration the DFES, as we have a much better and evidenced view of the needs of our local communities. This is something that we have been advocating for some time, but disappointingly, has yet to be taken up by the FES team to date.

System development: The vision for 2025 is sensible but we believe lacks ambition. The delivery steps outlined are arguably expanding business as usual activities and so we would have expected to see greater vision for 2025. We are comforted to learn that the ESO will use the Open Networks developed Common Evaluation Methodology and Tool in transmission to evaluate solutions but would also have expected to hear about the use of the Whole System CBA in this section, also developed in Open Networks and co-led by ESO representatives.

Customer Connections: We agree with your 2025 vision and support the planned activities and engagement with Open Networks Products. We particularly like the idea of a connections hub and account management linked with other network licensees' equivalents and hosting whole system connections seminars.

Network access planning: Notwithstanding the dual meaning of access across transmission and distribution and the need for consistent terminology we agree with your 2025 vision and support the need to strengthen the relationship between ESO and DSOs through the greater sharing of data and information and the development of coordinated plans. We would have expected to see some planned activities within the Open Networks project on data sharing and development of coordinated plans, as well as P5, now renamed as Primacy rules.

Service procurement: We agree with your 2025 vision and support most of the planned activities and we welcome the clear recognition that Open networks project will be the main forum for the standardisation required to ensure that the flexibility market is liquid and operates efficiently. As we mention in our cover letter, we have reservations over your commitment to standardisation. WS1A P4 (Common contract) is an example of where the ESO has stated a clear commitment to standardise but has failed to deliver on that commitment.

We challenge whether the ESO can truly act as a neutral market facilitator when it operates its own markets and manages engagement through its own platform. Just like the DSOs, we would expect the ESO to use third party platforms so that all transactions are open and transparent, removing any conflicts of interest.

Charging & access: Although you have provided some interesting insights into the potential charging and access areas this should be reviewed in your 2025 vision as it is not aligned with the proposed planned activities. If you believe that further alignment of transmission and distribution charging methodologies is important we would have expected to see additional activities supporting its delivery.

Code and framework: We agree with your 2025 vision and support the digitalisation of the existing Grid and Distribution Codes and their amalgamation into a new 'Electricity Network Code' as a way to drive standardisation across transmission and distribution. We have found the digitalisation of DCUSA a real benefit as it significantly improves accessibility and navigation. Before any comments can be provided as to the proposed planned activity, further clarity is needed as it's unclear what "an IT system with artificial intelligence enabled navigation" means.

Service dispatch: We agree with your 2025 vision and recognise the need to have clear and transparent rules and principles for the coordination and use of service dispatch. Our work on CLASS has shown us that we can provide the links for the ESO to easily and efficiently call upon the required service when needed by the electricity system.

Operational liaison: We agree with your 2025 vision and the need to share operational data in real time about the energy flows across the transmission/ distribution boundary. Our engagement through CLASS has shown that we can share operational data between the parties and we hope to build on that success.

Incident planning and management: We agree that there needs to be greater clarity on the roles and responsibilities during system incidents. We have been instrumental in the development of the System Wide Resource Register under Open Networks and the Embedded Capacity Register (ECR) in DCUSA and we are the only DNO to have published all the information on its reinforcement works (both connections driven and general) within the ECR. We note that the ESO has only provided once its [DER contract] information for the ECR, whereas there's always been a strong push from the ESO for the DNOs to refresh the data monthly and share the ECR. We would have expected to see the ESO systematically providing monthly updates as one of the planned activities so that the register is kept up to date.

3. Proposed next steps

Do you support our proposed next steps?

Yes, we support the proposed next steps, but would add that there are additional inputs into ESO BP2 business planning process from the summary of the DNOs' ED2 initial and final business plan submissions. These submissions will show the ambitions of the DNOs to cooperate and coordinate with the ESO as they develop the people, systems, tools and techniques to fulfil the activities of distribution system operation.

Is there anything more you believe we should be doing to facilitate the DSO transition?

The consultation captures what is known and can be expected over the next four years currently, but it needs to remain agile and dynamic to manage future changes. The last fifteen months has shown us that we need to be flexible and the ESO's plans will need to be agile so that the delivery against the 2025 vision is achieved. We would expect to see regular updates against progress towards delivery of the 2025 vision and a clear mechanism of consultation and engagement when a change in the delivery programme is required to meet this vision.