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Julian Leslie
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Dear Julian,

Enabling the DSO Transition

We welcome the opportunity to respond to this consultation on the ESO's approach to Distribution System Operation. This response reflects the perspectives of our renewables business (ScottishPower Renewables) and our retail business (ScottishPower Energy Retail Limited). Our networks business, ScottishPower Energy Networks, is responding separately from its perspective as a network licensee.

In general, we support the whole-system thinking that underpins this vision and the overarching ambition to achieve stronger co-ordination between the ESO and DSOs. We would welcome a stronger focus on achieving better outcomes for users of the system as the ESO's proposals evolve.

Our response begins with an introduction to ScottishPower Renewables before summarising our views to the questions in the consultation. Detailed answers to each of the questions are provided in Annex 1.

ScottishPower Renewables

ScottishPower Renewables (SPR) has a particular interest in this consultation. SPR is part of the ScottishPower group of companies operating in the UK under the Iberdrola Group, one of the world's largest integrated utility companies and a world leader in wind energy. SPR is responsible for progressing the deployment of onshore wind projects in the UK and Ireland, and offshore windfarms in various locations around the world, managing the development, construction and operation of all projects.

In addition to our existing fleet of operational windfarms, we have a substantial pipeline of windfarms under development and construction. We comment on these proposals from our perspective as a user, connection applicant and a balancing services provider at both distribution and transmission level.

Ultimately, we wish to see an approach that leads to fewer barriers to connection and balancing service provision, a level playing field for service provision and lower charges.

Summary of our views

Our detailed responses to the consultation questions are in Annex 1 to this letter and summarised below.

1. The proposed principles are a sensible starting point. There should be a commitment by the ESO to introduce a framework that measures the success of its vision through the attainment of improved outcomes for users.
2. It is important that the widening of co-ordinating activity does not result in layers of bureaucracy or bottlenecks in processes that hinder connection timescales, increase costs to system users or reduce efficiency in service procurement and dispatch.
3. We believe one further area that requires co-ordination between ESO and DSOs is industry change management.
4. The detailed proposals in Annex 1 of the consultation are helpful in advancing a shared and aligned strategic view on a future state. However, these are idealised views and do not tackle practicalities of decision-making, roles, responsibilities, accountability and dispute-resolution. Clarity on how the ESO envisages it will iron out these practical challenges with DSOs will promote confidence in the vision.
5. The ESO should explore the possibility of producing an impact assessment of its proposals that assesses outcomes, costs, benefits and regional differences. It should also consider publishing a roadmap for implementing its vision and a dashboard to provide transparency of progress it is achieving in efforts to coordinate with all DSOs.

Please do not hesitate to contact me or Ricardo Da Silva (tel 0141 614 8341, ricardo.dasilva@scottishpower.com) if you have any follow-up questions.

Yours sincerely,



Richard Sweet
Head of Regulatory Policy

ENABLING THE DNO TRANSITION – SCOTTISHPOWER RESPONSE

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

- **Do you support our proposed principles and approach to the DSO Transition?**

We agree with the view that having a shared and aligned strategic view on a future state is essential to stakeholders and should be the ambition underpinning the principles of the ESO's approach to the transition. In the main, the proposed principles are sensible where they call for stronger coordination with DSOs and the efficient operation of markets.

We believe it may be premature for the ESO to be targeting consistency and alignment of approaches to DSO and flexibility markets wherever possible. DNOs vary widely in their mix of users and network architecture. Aiming for consistency by default at an early phase of DSO and flexibility market development carries the risk of stifling innovation and stranding (eg in platforms, systems interfaces, digitalisation, data formats, etc). An approach of seeking to become an adaptable ESO that is capable of interfacing with a variety of emerging DSO models and flexibility markets would seem more appropriate at this stage.

It is positive that these principles are seeking to promote whole-system thinking. We believe they can go further by having an explicit focus on improved outcomes for both existing and future users of the system. There should be a commitment by the ESO to introduce a framework that measures the success of this vision through the attainment of improved outcomes for users.

We also believe these principles should include commitments by the ESO to engage effectively with users who will be impacted by these changes and to be transparent with forward plans.

2. ESO's proposed 2025 vision

- **Do you agree with our proposed high vision?**

The menu of ten co-ordinating functions between the ESO and DSO identified in Figure 1 seems a reasonable starting point in identifying where the ESO will need to extend existing relationships and create new functions.

We are unclear why the ESO's role under Market Coordination is 'Market development and transactions' whereas the DSO role is limited to 'Market development'. We anticipate having commercial transactions with DSOs in the provision of balancing services at the distribution level and would expect to see the DSO undertaking the same role as the ESO.

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

It is important that the widening of co-ordinating activity does not result in layers of bureaucracy or bottlenecks in processes that hinder connection timescales, increase costs to system users or reduce efficiency in service procurement and dispatch.

The vision set out by the ESO is one-dimensional as it focusses primarily on ESO-DSO interaction. As users of the system, we believe there should be a degree of emphasis on

reducing costs and incorporating users' needs in the context of the transition and whole-system thinking.

It is unclear which of these functions already exist and where the ESO will need to create new co-ordinating functions. Consequently, the focus and spread of activity is unclear and it is difficult to anticipate the sequence and timing of change that will impact us as users.

To promote confidence in the ESO's proposed approach, we would value some insight on whether these ideas have been tested with DNOs. It would run counter to the ESO's ambition to strengthen co-ordination with DNOs/DSOs if these plans have been developed in isolation. In the next iteration of these proposals we would welcome further clarity on how joined-up these proposals are with individual DSO plans.

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

We believe one further area that requires co-ordination is change management across these functions so that the impact on users is taken into consideration in terms of the pace of change, the extent of concurrent changes and the availability of finite resources.

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

Our comments are focussed on functions where we wish to see more clarity around the potential impact on users of the system.

System development

It is encouraging that through the Network Development Process that the ESO, DSO and local TO would work together to develop whole system solutions. It is unclear where accountability lies for driving service levels or the development of co-ordinated markets for flexibility services. More clarity is needed on roles, responsibilities and governance of the process.

Customer connections

The ambition stated here is for DSOs to work closely with the ESO to give customers a co-ordinated experience that delivers a connection at least cost and as quickly as possible. It is unclear how any disputes between the DSO and ESO would be resolved without any impact on cost and connections timescales.

Network access planning

We believe it is positive that the ESO is willing to contribute towards the cost of innovative ideas from DSOs to reduce the impact of transmission outages on customers. We would encourage a structured and more formalised approach to this cost-sharing proposal to avoid delays resulting from subjective assessments.

Service procurement

We welcome the proposal to allow DER service providers to stack contracts from different markets where this provides value to the consumer and is technically feasible. We agree that consistent framework agreements have the potential to simplify participation in markets, but such agreements must also promote equal opportunities between service providers.

Service dispatch

We support the vision that ESO and DSO would send signals to dispatch DER assets in a way which would best suit the service provider's business model. We would welcome clarity on how the ESO and DSO will coordinate to avoid placing unnecessary burdens on testing the dispatch of DER assets.

- **What additional activities do you believe the ESO needs to undertake to facilitate our 2025 vision?**

The ESO needs to understand the external impact of its proposals, establish a framework for measuring the success of its proposals (in the context of outcomes for users), publish a roadmap to deliver its vision and be transparent on levels of co-ordination it is achieving across all DSOs.

3. Proposed next steps

- **Do you support our proposed next steps?**

We believe high level steps outlined are broadly sensible. There is, we believe, an opportunity for the ESO to develop an impact assessment of its proposals in the intervening period between the close of this consultation and the update on this work planned for later in the year.

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

Yes, we believe the ESO should be providing an impact assessment of its proposals that assesses outcomes, costs, benefits and regional differences. It should also consider publishing a dashboard measuring the effectiveness of its coordination with all DSOs. These would have benefits in demonstrating that the ESO understands the impact of its proposals on users of the system and is coordinating in a consistent manner across all regions.

ScottishPower
May 2021