

National Grid
1-3 Strand
London
WC2N 5EH

box.soincentives@nationalgrid.com

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Electricity System Operator Forward Plan

Dear Sir/Madam.

SmartestEnergy welcomes the opportunity to respond to National Grid's consultation on the Electricity System Operator Forward Plan.

SmartestEnergy is an aggregator of embedded generation in the wholesale market, an aggregator of demand and frequency services in the ancillary services markets and a supplier in the electricity retail market, serving large corporate and group organisations.

Please note that our response is not confidential.

Overview

Overall, we would say that we are pleased to see that the outputs of this plan largely align with issues we have previously raised as priority areas which the System Operator should be addressing. We wholeheartedly agree with National Grid playing a more active part in the energy system, helping to shape frameworks for markets and promoting increased use of markets in place of bespoke bilateral action. However, with this in mind, we are also of the opinion that National Grid should take on a greater role in ensuring that the Energy Networks Association's Open Networks Project will deliver a standardised and whole system approach in the transition to a Smart Grid. DNO activity in this area cannot be allowed to continue on an individual initiative basis. National Grid need to present the case for this more strongly to Ofgem.

Managing System Balancing and Operability

The workstream dealing with flexibility (managing system balancing and operability) is addressing the key needs of simplification and rationalisation of products and this is something we are very supportive of. In our response to the System Needs and Product Strategy consultation, we outlined the need for greater transparency over decisions when awarding flexibility contracts. We look forward to greater detail on the proposals in this consultation to both increase the transparency of ancillary services documentation and also be more transparent in explaining the procurement decisions that National Grid make when buying services through tenders, auctions or in the Balancing Mechanism. This should be reflected as a specific principle in the Forward Work Plan. Webinars detailing tender results are also a good idea, provided that they too are transparent and explain the reasoning and methodologies behind the results.

With regard to improved forecasting, whilst National Grid should always strive to produce the most accurate forecasts they can. However, industry participants need to be taking a view on forecasts

themselves and not falling into the trap of relying too heavily on National Grid. Even if NG forecasts become more accurate, parties who are not prepared to make forecasts themselves will still be the most affected in the event of errors.

Facilitating Competitive Markets

The approach being taken should help to create the more competitive markets which National Grid is seeking to facilitate in its second outlined workstream. Publishing the Future Balancing Services Roadmap will provide industry with greater visibility and hence certainty over future products, giving developers the confidence to invest in the generation and flexibility assets that the system requires. However, we believe that the proposals to facilitate competitive markets through wider engagement in the Power Responsive campaign and 'improve our administration functions in code administration and network charging', appear somewhat light touch at the moment. Whilst this document intends only to set out a plan of action, greater detail is required on the proposals to facilitate competitive markets.

SmartestEnergy has previously responded to consultations from National Grid, putting forward the view that trialling a mix of long-term tendering and day-ahead markets would be the best way of facilitating competitive marketplaces. In addition, we feel National Grid should also take on a greater role in defining the roles of Distribution System Operators - as part of a standardised whole-system approach within the Energy Networks Association's Open Networks Project. We encourage Ofgem to facilitate this.

Facilitating Whole System Outcomes

We welcome National Grid's proposals in this area in pursuit of its goals to facilitate Whole System Outcomes. This is outlined as a strategic aim and mentioned as a specific deliverable, which we consider to be chief among the issues which the ESO should be addressing. Learning from major innovation projects is also one of the most important issues in this sphere. Whilst National Grid should be implementing lessons learned, it should also be aiming to bring DSOs in on this. This also goes for plans to consult on network analyses which consider more than the demand peak and trial new network development options such that optimisation and charging are consistent. Rolling out regional development plans to deliver joint transmission and distribution network development plans is a worthy aim. However, NGT need to discuss with Ofgem what regulatory/structural barriers may prevent this being done to the greatest effect.

All of this should provide DSOs with the 'final model' they require before implementing workstream 3 of the Open Networks Forward Workplan. This workstream seeks to address the functionality required by DSOs, but until the end-point is reached, this risks a piecemeal approach being taken across DSOs, increasing the amount of time taken and cost to reach the end goal.

One of the best ways of achieving the aim of joining up network design and operation processes across transmission and distribution would be to move towards whole system charging. Perhaps this could include national charging of customers by National Grid and internal charging between National Grid and the Distribution Network Operators.

Facilitating Competition in Networks

As far as facilitating competition in networks is concerned, we are pleased to see the introduction of tender results webinars and an improvement in the transparency of Ancillary service documentation mentioned again. We also welcome the chance to respond to future consultations regarding

transmission, distribution and smart control options across a range of scenarios that each system operator will encounter.

Should you require further clarification on this matter, please do not hesitate to contact me.

Yours sincerely,

Colin Prestwich
Head of Regulatory Affairs