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Energy UK Response – SPEN FUSION USEF Consultation*Submitted via email only***Contact:**

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Is your response confidential?

NO

Q1 Flexibility value chain - Independent aggregation in wholesale markets

Q1a: Provided appropriate arrangements for wholesale energy and imbalance settlement for affected suppliers are in place, do you agree that aggregators should be able to provide their services in the wholesale energy markets without a supply licence or an agreement with the supplier of the customer? (Yes, No, Don't know)

DON'T KNOW

Energy UK agrees with the desire to ensure appropriate arrangements for wider market access, but would require more information regarding what these arrangements would look like before Energy UK members can fully support such arrangements. It should be noted that market access for independent aggregators is expected to be addressed by the anticipated integration of Project TERRE into the GB Balancing Mechanism.

While it is common for energy suppliers to offer aggregation services, a supply licence should not be required for independent aggregators' participation in the wholesale energy markets if they are otherwise appropriately regulated or licenced. This is important to ensure consumer protection and wholesale energy market integrity.

Directive (EU) 2019/944 requires all Member States to ensure that their relevant regulatory framework contains the right for each market participant engaged in aggregation, including independent aggregators, to enter all electricity markets without the consent of other market participants. However, where this is the case, robust market arrangements should mitigate potential impacts on suppliers and ensure that risks, costs and benefits are allocated in a fair way that promotes efficiency and competition between market actors.

Where an (voluntary) agreement between the third party aggregator and the supplier is not reached, Energy UK believes that robust market arrangements should mitigate potential impacts on suppliers and ensure that risks, costs and benefits are allocated in a fair and proportionate way that promotes efficiency and competition between the different market actors.

Q1b: If yes, a baseline methodology needs to be defined for the ToE in the wholesale markets. Which organisation(s) should take the initiative to design and propose this methodology?

The well-established, transparent and open governance of the BSC modification mechanism provides a route to make changes to energy imbalance settlement, and modifications P375 and P376 are looking to explore issues surrounding aggregation and supply. Guidance from Ofgem would be appreciated and would help facilitate changes that are taken forward.

If a wider mechanism is developed, this would be complex and require a significant amount of regulatory resource. In this circumstance, Ofgem would need to set out the intended outcomes and scope of the methodology and consult upon options before implementing. It would be vital in that instance that the methodology be developed with the agreement of all sections of industry in a neutral and open forum.

Q2 Market Organisation - Congestion point repository

Q2a: Should there be a standardised publication of congestion points and associated connections, flexible assets and active aggregators, which market participants have access to? (Yes, No, Don't know)

DON'T KNOW

Energy UK supports a standardised publication of congestion points and associated connections, as such information can aid investment decisions and promote competition in markets. However, we would note concerns about the granularity of information requested regarding flexible assets. Commercially sensitive, personal, or confidential information would be included in the information shared regarding flexible assets, and as such sharing this information with all market participants would be inappropriate at best and illegal at worst.

The proposed standardisation should abide by the Energy Data Taskforce approach to data sharing, in which a series of levels of openness are defined based on any commercial, legal, or security concerns regarding the data. It would be useful for participants to know how much flexible resource is available in any given area to inform investment decisions, but this should not be so granular that it depicts the technology, specific location, or ownership of either those assets or the property at which they are located.

Q2b: If yes, do you think this should be a regulated entity (e.g. operating under licence, and regulated by Ofgem)? (Yes, No, Don't know, N/A)

YES

Rather than creating a separate regulated entity, introducing an additional condition in the ESO's Licence and in the Electricity Distribution Licence obligating the relevant parties to provide such information in a consistent way seems more efficient. It may be beneficial in this instance for a single entity to be given responsibility for hosting standardised information from across all resources in a single location.

Q3 Market Organisation - Central data hub

Q3a: Do you agree that there should be a central data hub to record flexibility volumes and transactions to allow consistent settlement of flexibility and create transparency? (Yes, No, Don't know)

YES

This seems a sensible recommendation that could reduce complexity. More transparency and standardisation of existing processes and requirements on regulated entities would be welcome. It should be noted that flexibility volumes can be recorded and published using existing means such as the Monthly Balancing Services Summary (MBSS) and the Balancing Mechanism Reporting Service (BMRS). The BMRS provides a large amount data on volumes already and could be enhanced in the future.

Q3b: If yes, do you think this should be a regulated entity (e.g. operating under licence and regulated by Ofgem)? (Yes, No, Don't know, N/A)

NO

Again it is important that existing regulated entities improve their transparency and reporting into a central hub, rather than a new entity being created. It will also be more efficient to optimise existing industry resources including ELEXON settlement systems to process and publish information and existing ESO and DNO resources.

Q4 Market Organisation – Constraint management service provider

Q4a: Would it be beneficial to formalise the responsibilities and the role of the constraint management service provider (CMSP) similarly to the BSP role? (Yes, No, Don't know)

DON'T KNOW

It is vital that requirements for participating in constraint management markets do not constrict the market or act as another barrier to entry for those who could provide constraint management services.

At a transmission level, constraint management is often intertwined with energy balancing. Providers of flexibility to DSOs will most often also be balancing service providers. It is therefore not clear at this stage whether creating a separate CMSP role would be appropriate. As a first step, distribution system operations surrounding constraint management should, in cooperation with industry, the ESO and any other interested parties, be harmonised around a framework for the provision of constraint management services. It is important to ensure that distribution level actions are properly integrated into balancing and settlement arrangements.

Q4b: If yes, what kind of responsibilities should be defined for the CMSP role?

The responsibilities set out would need to be defined in an open consultation process. If a separate CMSP role is deemed necessary, then its responsibilities should align with the responsibilities set out for BSP actors as closely as possible in order to simplify the process of offering both balancing and constraint management services with the same resources.

Q5 Market Design - Operating regimes

Q5a: Do you think that there is need to create transparency on network limitations that restrict the free trade of flexibility services by market participants? (Yes, No, Don't know)

YES

Q5b: If yes, do you think that USEF's Operating Regimes are a feasible solution for this issue? (Yes, No, Don't know, N/A)

YES

Q5c: Do you think that clear rules should be defined to regulate when DSOs move from one state to the other? (Yes, No, Don't know)

YES

The merit order must focus on market solutions wherever possible, with requirements on all SO parties to actively search for market solutions before resorting to their own resources. This should include requirements for SOs to run tenders and create transparent processes to ensure the market is given frequent opportunities to address the issue.

The requirements defining the ability of an SO to move into the next 'regime' should be set out in advance, including contracts set out for market participants to support the SO in much the same way as Black Start contracts. There should also be defined incentives for remaining in regimes with no market restrictions, as well as punitive measures set out for when an SO moves into another regime without evidence of need.

The decision to move to the next 'regime' should be coordinated by the ESO wherever possible, as flexibility providers must retain the ability to freely choose where to sell their services, providing that the system is not jeopardised. Where the system is at risk, national requirements should continue to be prioritised over local constraints, given the wider impacts of a national event over a localised constraint.

Q6 Market Design - Information exchange

Q6a: Do you think that further coordination of flexibility deployment between suppliers/aggregators and the ESO/DSOs is needed to facilitate efficient and reliable flexibility markets? (Yes, No, Don't know)

YES

The core focus of increased coordination should be to ensure that the ESO and DSO have visibility of each other's intended operations, as well as visibility being improved across any geographical borders between DSO bodies. As long as effective market frameworks are established, DSO and ESO should have visibility of the available flexibility across the system thanks to high market participation.

Q6b: If yes, do you agree that information exchange (i.e. D-programs) between suppliers/aggregators and ESO/DSOs, concerning flexibility contracts and flexibility activations, limited to congested areas, should be mandatory? (Yes, No, Don't know, N/A)

DON'T KNOW

This could result in an additional barrier to entry for aggregators and suppliers, curtailing continued competition in energy markets. Where suppliers / aggregators are participating in energy markets, the information regarding their capabilities will be shared with the market operator already. It should be optional for those participants to have that information shared with others. If sharing the information would result in those participants being informed of other markets they could participate in, it is expected many providers would agree to this.

Q7 Market Design - Flexibility Platforms

Q7a: Would you consider that it is beneficial to have a standard interface between (1) flexibility service providers and flexibility platforms; and (2) TSO/DSO platforms and third-party commercial platforms? (Yes, No, Don't know)

YES

In theory, any measure of standardisation and homogenisation of market operators' interfaces with flexibility providers is of value to the market, as it simplifies the interactions between various actors, effectively cutting costs.

Q7b: What could be the possible scope of this standardisation?

Standardisation should take the form of a single platform setting out the many markets for flexibility and where to access those, as well as linking to resources about the state of the network (energy system data) and other data resources (data hub) to ensure ease of access. All market platforms should be using the same terminology and offering the same type and quality of information to participants.

Q8 DSO Flexibility Transactions - DSO flexibility procurement

Q8: Do you agree with USEF's recommendation to allow free bids in a DSO congestion management product, even when DSOs requirements are met by the existing availability contracts? (Yes, No, Don't know)

YES

Enabling markets to be established closer to the time of need will give flexibility providers the ability to bid in based on near-term availability, where they may not have been able to bid in for a long-term contract based on uncertainty of availability. In such a scenario, there would also need to be continued long-term availability contracts establishing a reserve of procured flexible resource to be used if the daily market does not deliver a solution at lower cost.

The two types of contract would need to be separated out as products with specific definitions of when each would be called upon and under what circumstances each could be used. This would aid in establishing the likelihood of dispatch for the long-term availability provider and be important to establishing an accurate price for providing that service.

Further to this, it is important to ensure that flexibility providers can offer their products across different markets, including intra-day constraint management markets and intra-day ESO markets. These markets will therefore need to be coordinated such that ESO and DSO are frequently updated on new contracts for the provision of flexibility to ensure dispatch of both markets delivers whole electricity systems outcomes.

Q9 DSO Flexibility Transactions - DSO flexibility products & processes

Q9a: Do you agree that a common mechanism for all DSOs and the ESO to procure flexibility and interact with the market would be beneficial? (Yes, No, Don't know)

YES

Q9a Cont. - If yes, would you consider the USEF approach to be suitable for providing this mechanism? (Yes, No, Don't know, N/A)

YES

Q9b: If you agree with that consistent processes and standardisation would be beneficial, which elements of the flexibility transactions processes and interactions should be standardised?

YES

Processes and interactions should be standardised wherever possible to deliver simplicity and ease of access to markets. Standardised terms and conditions, tender timescales (e.g. auction times and contract length), standard terminology, communication systems and standard definitions of services being tendered for should all be delivered across all SO actors.

Q9c: Do you consider it beneficial for GB processes to align with European processes for DSO flexibility mechanisms? (Yes, No, Don't know)

YES

It is vital that the UK system be reflective of the European processes for DSO flexibility mechanisms. While Brexit allows the UK the ability to go beyond our European counterparts in developing mechanisms and ambition beyond that set at a European level, we should avoid deviation from the broad direction of travel wherever possible.

Q10 Market access requirements - Aggregator implementation models

Q10a: Do you consider that aggregators should have balance responsibility for the flexibility they operate in all flexibility markets and products? (Yes, No, Don't know) If not, which products may deviate from this principle?

YES

Q10b: Do you agree that the open supply position of the supplier should be corrected through defined mechanisms? (Yes, No, Don't know)

DON'T KNOW

Current arrangements (e.g. P344 'Project TERRE implementation into GB market') assume that risks and costs associated with the supplier's open supply position can be addressed through the contractual relationship between the customer and the supplier. As Project TERRE and Balancing Mechanism Wider Access have not been fully implemented yet, it may be early to suggest a change. However, should it become evident that the contractual relationship route is not fit for purpose, then more codified requirements may need to be developed to ensure suppliers are not held fiscally responsible for the actions of a third party and vice-versa.

Q11 Market access requirements - Re-dispatch responsibility

Q11: Who should be responsible for the re-dispatch in a DSO congestion management product? Please select among the options a, b, c, d, e, none of the above. Please provide the basis for your answer.

C (ESO performs)

DSO actors may need to hold some autonomy over constraint management and balancing in their system area, but national coordination of balancing should continue to take priority over local autonomy given the potential impacts of national events compared to local ones. Cumulative re-dispatch by the ESO could not only deliver lower cost whole system operation, but reduce the amount of potential conflicts in system operations. If each DSO actor is performing two actions instead of one, the administrative burden of coordination becomes higher and the potential for a DSO action to impact other areas of the network increases.

This becomes further complicated if GB develops multiple DSO bodies each performing multiple actions each time a local constraint arises. If the initial action causes an issue outside of the DSO actor's geographical area, they may not have visibility of the true impacts on the wider system and their re-dispatch action may worsen the situation. Industry confidence in the secure operation of the network would be improved by knowing the ESO is responsible for coordinating a single response to unintended consequences.

Q12 Market access requirements - Flexibility value stacking

Q12a: Do you agree that dynamic pooling in flexibility services should be supported? (Yes, No, Don't know)

YES

Q12b: If yes, please indicate products and services where dynamic pooling should be possible? (I.e. balancing, congestion management, wholesale, capacity market)

Wherever the potential for conflict in delivery is addressed, providers should be able to stack revenues across all markets. If a conflict exists in delivering for multiple markets or services, these conflicts should be specifically identified and mitigating actions introduced, including disallowing revenue stacking where necessary.

Q13 Market access requirements - Sub-metering arrangements

Q13a: Should sub-metering be allowed in all markets and products, including wholesale market and DSO constraint management service? (Yes, No, Don't know) If not, please indicate products and services where sub-metering should be possible and cost-effective.

YES

Q13b: In the case of independent aggregation, should sub-metering also be used as input for the quantification of the Transfer of Energy, which, in turn, will impact wholesale settlement? (Yes, No, Don't know, N/A)

DON'T KNOW

The use of sub-metering for settlement could be beneficial if it is assured to be accurate and efficient, but a number of practicalities and technical requirements need to be considered. Balancing mechanism modifications P375 and P376 are aiming to address this issue.

Q13c: Who should be responsible for the validation of sub-metering data?

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Q14 Privacy and cyber security - Congestion point publication

Q14a: Is the publication of congestion points using connection identifiers in line with GDPR requirements on security and privacy? (Yes, No, Don't know)

NO

With an increasing number of connected assets being owned by small businesses or households, there is no way to publish this kind of information on what is connected where without breaching GDPR (if appropriate consents are not obtained). The state of the network should be the focus, with information on what flexibility is available being based on willing participants in energy markets.

Q14b: If not, what alternative can be used to capture locational information of congestion points and their associated substations (postcodes, GPS coordinates, streets, etc.)?

Network monitoring should be the data that reveals congestion points. If the network does not have the appropriate monitoring capabilities at this level, they should invest in that technology to deliver a more accurate understanding of constraints and enable more granular locational information.