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Re: Citizens Advice response to ENA's Open Networks commercial principles paper

Dear Farina

I am responding on behalf of Citizens Advice to your commercial principles paper seeking views on the considerations around promoting access to markets for distributed energy resources (DER). Citizens Advice is the statutory advocate of energy consumers in Great Britain. Detailed comments are offered below. In summary:

- Any future model for procurement and operation of DER should be as efficient as it can be to deliver savings or avoid additional costs to consumers.
- When designing procurement and operational processes, the National Electricity Transmission System Operator (NETSO) and DSOs should ensure that they are accessible to a wide range of DER owners. Part of the solution is that DER owners can participate in markets via an aggregator of their choice.
- Suppliers and aggregators could play an important intermediary role between DER owners and DSOs and the NETSO. This should be further explored in the customer experience workstream of the Open Networks project.
- We would like to see congestion management at distribution level move towards a state whereby forced curtailment only takes place in emergencies. DER owners should be able to choose between a firm and flexible connection, and separately choose whether they want to offer their flexibility in exchange for payment.

We have structured our response in line with the considerations you outline in the paper. Outside the scope of these considerations, we would like to make the following comments:

- The paper does not mention explicitly that you include Independent Distribution Network Operators (IDNOs) when you say "Distribution System Operators (DSOs)". This should be made clearer in following documents. We think it is key that IDNOs are covered by the commercial principles and any future models, to

allow DER owners connected to IDNOs to have unhindered access to emerging flexibility markets.

- The paper leaves it open to what extent participation in flexibility markets will be voluntary or may be compulsory under certain circumstances (e.g. will the NETSO or a DSO have powers over DER without the owner's consent in emergencies?). We would welcome further discussion on this in coming Open Networks meetings.

Consideration #1: What models (procurement and operation) should be used to allow DER to offer multiple services to multiple entities such as the NETSO and DSOs?

We welcome the ENA's open thinking to consider all possible models for coordinating procurement and dispatch of DER (Question 1). Apart from observing that Model 1 (status quo) is not sustainable, we do not have a preference for any one of the remaining models presented in the paper. We agree with your approach of judging the various models against certain criteria. In addition to the six criteria set out in the paper (page 6), we would like to add three which focus on the outcomes for network customers:

- How efficient the model will be and whether it will result in savings or avoided costs to all consumers (including those who do not want or cannot take part in flexibility markets);
- How easy it is for different types of customers (domestic, SME, prosumers, community energy groups) to engage with resulting flexibility markets;
- How sustainable the model is, i.e. a) how able to meet the needs of current and future customers and; b) how able to accommodate new business models such as peer-to-peer energy selling.

Logically, the easier the procurement and operational processes are for DER owners, the more likely the NETSO and DSOs will see greater engagement (Question 3 and 4). Thinking through the customer journey and considering the role that aggregators and suppliers could play, we believe the following are key to reducing complexity:

- **1. Providing accessible information prior to participation in a market:**

The NETSO and DSOs need to bear in mind that DER owners with limited expertise, time and money on their hands, will not necessarily understand the difference between the markets and services run by the NETSO and a

DSO, especially if they are new to flexibility. Ideally, the various tender opportunities and markets that DER owners can participate in would be summarised in one place, where they can find out key information such as who runs which market and service, what requirements need to be fulfilled for each one, and basic information around why flexibility is key to our future network. It would require a high degree of coordination between the NETSO and DSOs to provide this **simple entrance point and interface** for DER owners, including the alignment of definitions and language used to describe different services.

In addition, information about these new opportunities should be available through **a trusted, independent organisation** too, such as Citizens Advice. We see time and again that consumers call our helpline to confirm whether what their supplier or a third party intermediary told or offered them is true. Gaining the trust and buy-in from DER owners is vital if we are asking them to engage in new markets and services.

- **2. Supporting DER owners from initial interest through to contracting**

DER owners will need **concrete information and tailored analysis** before they commit to providing services to their DSO or bidding for NETSO contracts, for example. They will have questions such as: Which flexibility service am I best placed to provide? How much flexibility will be required from me? How will this influence my generation output and FiTs payments? How much am I likely to save? Can I override a request for demand turn-down to continue charging my EV? Smaller DER providers may not be able to gain answers to these questions without external help.

Another source of complexity will be if a DER owner has to sign several different **contracts** with several entities for the provision of different services.

Currently, and going forward, suppliers and aggregators could be intermediaries who answer these questions, and review and close contracts on behalf of the DER owners. Currently, we believe this is preferable to the NETSO or DSOs providing this advice and assistance as there is potential for a conflict of interest, for example if a DSO had to advise a DER owner whether best to provide services to the NETSO or themselves.

- **3. Ongoing relationship with the DER owner:**

Once a DER owner has entered into a contract, three things will be important. One is that the DER owner honours their contract(s) and **supplies services to the NETSO or a DSO as agreed**. Depending on how complex this process is, again, smaller DER owners will need someone to do this on their behalf, such as their supplier or an aggregator. Some forms of service provision might be possible using automation and remote access through a DSO, for example if DSOs are enabled to remote-control EV chargers.

Secondly, **payments and billing** have the potential to become more complicated for customers who provide flexibility. This transition is an opportunity to simplify these processes for generators and demand customers. For example, ideally, the bills a domestic customer receives from their suppliers would also show any payments and savings made as a result of their involvement in flexibility markets. This way they would be able to easily monitor their energy costs as well as the benefits they gain from flexibility provision. Although this would require a greater degree of collaboration between suppliers, aggregators, DSOs and the NETSO, it would create a more robust system which would allow DER owners to participate in potentially several different markets in future without increasing the complexity of their bills.

The third important strand to the post-contracting relationship is **dealing with inquiries, complaints and requests for redress** which may arise. We are particularly concerned that DER owners could be handed from one organisation to another if areas of responsibility are not clear between the different market actors. Preferably, the Energy Ombudsman would be able to resolve disputes, however they are only able to do so if the company complained about has signed up as a member.

Reviewing this rough customer journey, there is scope for the NETSO, DSOs, suppliers and aggregators to play different roles at different times. The pros and cons of which actor plays which role should be explored in workstream 2 (customer experience) of the ENA Open Networks project, but also affects workstream 1 (T-D processes) and 3 (DNO to DSO transition).

If suppliers and aggregators come to play a large intermediary role, we would see a need for DER owners (especially domestic and small businesses) to be able to compare between different suppliers and aggregators - similar to the Citizens

Advice star rating for energy suppliers - to make an informed decision about who should “manage” their flexibility.

Consideration #3: How can we ensure the various routes to market for DER can coexist and compete in a coordinated way?

(Question 6) We agree with the principles outlined on page 9 and particularly welcome the first one - that DER owners should be able to bid directly into markets, or via an aggregator of their choice. For the reasons outlined above, we believe it is essential that DER owners can go through third party intermediaries to participate in markets.

(Question 7) We endorse that DER owners should be allowed to hold service contracts in different markets but we realise that this would bring with it several risks. Coordination between DSOs and the NETSO about which DER they are accessing will be essential - not just for the security of the network, as your question suggests, but also for the protection of the DER owner. It is possible that domestic DER owners, in a pursuit of earning or saving money, commit to delivering multiple services to different actors which could end up jeopardising the profitability and functionality of their assets, or even their lifestyle. There need to be adequate checks in place and tools available to DER owners to prevent this from happening.

Consideration #4: How should DER curtailment for transmission constraints be treated from a commercial perspective?

(Question 8) We agree with the principles outlined under Consideration 4. Especially A and B - having simple pricing structures and that parties should be able to competitively bid alongside larger, transmission-connected assets - are key to enabling effective competition.

On the question of static versus dynamic pricing (Question 9), we observe that dynamic pricing has the ability to increase the efficiency of service procurement. However, static pricing is more predictable for DER owners, especially when they do not have the ability and tools to quickly process dynamic pricing information and adjust their behaviour accordingly.

Both of these points raise the general question of what type of DER owners the NETSO wants to attract to its constraint management tenders and what level of support it is willing to provide to enable parties to participate. Further research with

different DER owners should inform the decision on pricing curtailment and tender design.

Consideration #5: How might distribution congestion management activities develop alongside the transition from DNO to DSO?

(Question 11) We would like to see congestion management at distribution level move towards a state whereby forced curtailment only takes place in emergencies. DER owners should be able to choose between a firm and flexible connection, and separately choose whether they want to offer to be curtailed in exchange for payment. Currently, generators can end up in a position where their only option is a flexible connection, which costs less, but they do not receive any payment for being curtailed. This could be financially detrimental to renewable generators who rely on Feed-in-Tariff payments and lose out on those during times of curtailment.

The paper suggested that connected DER owners could be offered to trade their curtailment obligations. We would like to see more detailed proposals on this in order to form our position. This should include an assessment of whether the costs of creating and running such a trading system would be worth the benefits it creates. Secondly, such trading systems could create barriers for smaller DER owners who lack the expertise and time to engage in such a market without external help.

Yours sincerely

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