Open Networks Project Team
Energy Networks Association
4 More London Riverside
London

22 August 2019

To whom it may concern,

Open Networks Project: Flexibility Consultation Response

Scottish Renewables is the voice of Scotland's renewable energy industry, working to grow the sector and sustain its position at the forefront of the global clean energy transition. We represent around 260 organisations across the full range of renewable energy technologies in Scotland and around the world, ranging from energy suppliers, operators and manufacturers to small developers, installers and community groups, as well as companies throughout the supply chain.

As our energy system transitions away from centralised fossil-fuelled plants and embraces distributed low-carbon technologies, our electricity network has begun a period of transformational change. The transition from DNOs to more dynamic DSOs will be crucial in enabling more efficient use of the network, minimising system costs and delivering benefits for consumers. We support the work currently underway by the ENA and Open Networks Project.

In responding to the consultation, we would like to draw your attention to the following points:

- Overall, we support the broad principles outlined within the consultation.

- We believe that decarbonisation should play a central role in the DNO-DSO transition. In order to meet the net-zero carbon targets, it is crucial that DSOs develop products which support the procurement of low-carbon service providers to ensure alignment with the wider move to a low-carbon economy. We have outlined a number of practical measures which could be taken to achieve this within our response below.

- Removing barriers to market entry and ensuring a level playing field will be vital in ensuring that the right set of low-carbon DER resources are able to participate in DSO service markets. As these DER resources are typically smaller businesses who may lack the capacity to engage in complex and costly application systems, it is

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important that the application process is easy to navigate and that costs are reasonable.

- It is critical that any emerging ancillary service contracts are investible to ensure that there is no disadvantage to the financing of new projects. To create a market suitable for investment, there will need to be good visibility of products, procurement methods and lifespan of products is, along with a clear and consistent revenue stacking interface to allow DER providers to potentially provide multiple DSO services.

We have answered your consultation questions where appropriate below and are happy to discuss our response further.

Yours sincerely,

Cara Dalziel

Policy Manager

Scottish Renewables

Consultation Questions:

1. **Do you agree with these six steps and if not, please provide us with any rationale?**

   We agree with the six steps.

2. **Are there any steps that you believe are missing or any elements of these steps that are not covered by the Open Networks Project developments and products?**

   Particularly in recognition of the recently adopted net-zero target, we believe that decarbonisation should be at the heart of the DNO-DSO transition and as such should be given the same status as the other six steps. In order to meet the net-zero carbon target, it is crucial that DSOs develop products which support the procurement of low-carbon service providers to ensure alignment with the wider move to a low-carbon economy and focus on developing products which support that ambition.

   In early 2019, Scottish Renewables published the findings of its 'DSO Commercial Arrangements' Task force[1], which sets out further detail.

   At a practical level, the Task Force recommend that this could be achieved through the following measures:

   - Implementing a number of policies – including ensuring a robust Carbon Price Floor – to ensure that DSO procurement takes Government decarbonisation objectives into account

   - Utilising carbon prices to ensure carbon-emitting service providers are weighted accordingly in the procurement process

   - Consulting with a varied set of representatives from low-carbon industries to ensure that markets can best support the delivery of new renewable energy assets

   - Continuing work to ensure that additional renewable energy enablers, such as battery storage solutions and demand side response, are efficiently connected to the DSO network, and considering methods by which renewable energy and enabling technologies can be connected ahead of carbon-intensive forms of generation

   - Ensuring that DSOs have a responsibility to respond to national obligations on carbon by developing a regulatory framework which recognises that long-term

[1] https://www.scottishrenewables.com/publications/scottish-renewables-dso-commercial-arrangements-pr/

investments may be the best solution to enable low-carbon service providers to come forward.

3. **Which elements do you believe should be prioritised and are there any suggestion to amend our workplan as a consequence?**

   Prioritising the removal of barriers to market entry and creating a level playing field will be key to ensuring that the right set of low-carbon DER resources are able to participate in DSO service markets. To achieve this, it is critical that application processes are made as easy to navigate as possible and that application costs for service provisions are reasonable. Alongside this, DSO products should be developed to support innovative network solutions, particularly around local energy system development, load balancing and electric vehicle uptake to ensure maximum availability of service providers.

4. **Do you agree with these six principles underpinned by simplicity and if not, please provide us with any rationale?**

   We agree with these six principles and that these principles should be underpinned by simplicity.

5. **Are there any other principles that you believe we need to encourage more participation in flexibility?**

   In order to encourage greater participation, we would recommend implementing a more agile approach into these principles to ensure that DSOs are able to respond to emerging issues quickly and efficiently. This should also include looking for new opportunities that may emerge from the data revolution that is currently underway.

6. **Is there anything in these principles that you think would compromise your ability to participate or should these principles be applied differently from the way set out in our paper?**

   No comment.

7. **We will apply these principles to all of our future development work – do you believe that there are any elements that are not covered by Open Networks Project developments or elements that should be prioritised?**

   No comment.

8. **Do you agree with the learning and 'good practice' highlighted in the report and can you provide any suggestions for any additional points to be considered and/or steps to implementation?**

   We agree with the learning and 'good practice' highlighted within the report in general, however we would like to reinforce the following points:

   DER resources are typically smaller businesses and may find it more difficult to engage with a complex and costly application process. To ensure that these DER resources can participate in DSO markets it is critical that any pre-qualification criteria is developed early and that the application process is easy to navigate and comes at a reasonable cost.

   Contracts need to be investible to ensure that there is no disadvantage to the financing of new projects. Providing good visibility of products, procurement methods and lifespan of products is crucial to creating a market suitable for investment, along with a clear and consistent revenue stacking interface to allow DER providers to potentially provide multiple DSO services. We welcome the recognition of the TSO/DSO interface within the report; however, a greater level of certainty would be needed to enable commercial decision making across low-carbon assets. We would also recommend creating a robust set of market price signals.

9. **What would be your preferred mechanism for engaging with DNOs for specific DSO Service design activities and/or procurement events?**

   No comment.

10. **In addition to the data set out in Appendix 2, what extra information might DER or market platforms require to support their involvement in the procurement of DSO Services?**

    No comment.

11. **Do you agree with our Next Steps and the development approach to standardise contract terms and conditions set out in DSO Services Commercial Arrangements – Product 4 and do you have any suggestions to improve our proposed developments?**

    We agree with the proposed Next Steps and the development approach to standardise contract terms and conditions. We welcome the work underway to standardise services and believe that this would provide adequate foresight to allow businesses to assess commercial requirements and align their business planning with providing services to the DSO.

12. **Do you have any feedback and comments on our Recommendations for Good Practice Adoption in Product 4?**

    We agree with the Recommendations for Good Practice Adoption in Product 4 and have no further comments.

13. **What new markets do you think we should consider as part of this work and do you have any proposed changes to the scope and nature of our development work to encourage flexibility market participation?**

    No comment.

14. **Do you have any ideas on how we might better engage and encourage feedback and input from non-traditional energy market participants?**

    We welcome the stakeholder engagement to date in this process and look forward to its continuation.

    In our view it is likely that a number of new players across different facets of the energy industry will drive change and perform critical functions (such as around data and new technology) in the DSO transition. Ensuring industry is at the forefront of the DSO transition will be crucial to ensuring an effective model is developed.