NORTHERN POWERGRID

Feedback report

Consultative event on Distribution System Operator (DSO)

Held on 23 January 2019

Overview

The conversation continues

Notes about this paper:
- This feedback report captures some of the main messages from stakeholders at a consultative event held in January 2019.
- It follows the publication of our DSO v1.0 next steps and emerging thinking document.
- It will help inform the refresh of the document (scheduled for early Summer 2019), and our next series of conversations on DSO.
- If you want to be kept informed, or contribute more thoughts, email us at yourpowergrid@northernpowergrid.com

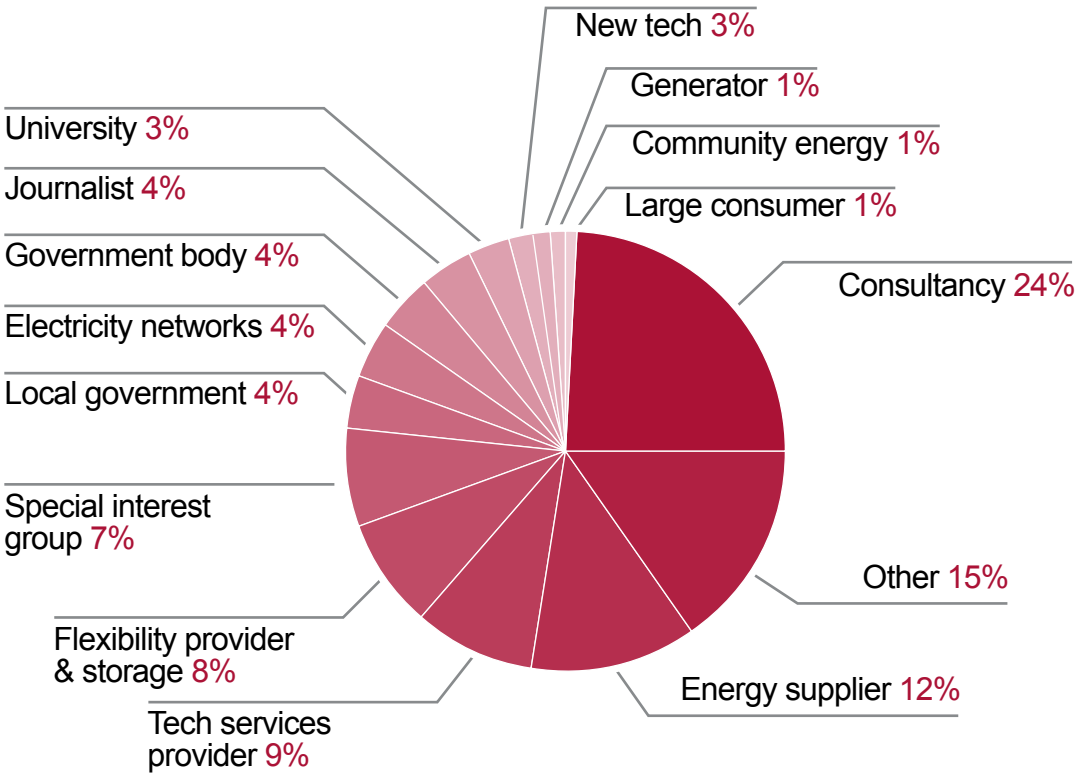
Delegates expressed a desire for an opportunity to contribute more feedback on (in order of popularity):
- Customer flexibility;
- Social inclusivity;
- Data;
- Impartiality; and
- Local and community level initiatives.

Feedback collected on the day through: themed roundtable sessions, feedback forms and sli.do

17
Northern Powergrid staff

68
External delegates in attendance

Mix of delegates in attendance



Feedback

1. We asked stakeholders if they agreed with our guiding principles, outlined in the DSO v1.0 document

Four guiding principles for future DSO services

1
Led by our customers' needs.

2
Promotes sustainability by being efficient, fair and inclusive and better for the environment.

3
Requires a right sized regulated business supporting competitive markets for flexibility.

4
Changes to duties that optimise the system as the volume of distributed energy resources increases.

84%

of delegates agreed with our draft guiding principles, but some consensus emerged on the need to add some proposition around impartiality and transparency.

2. A summary of key points from the roundtable discussions

Future services: building our expertise

We use scenario analysis to identify the range of potential capacity requirements for the network in the forthcoming years. It is these projections that are informing the assessment of sites that will require some form of intervention – either a customer solution (procuring flexibility) or a network solution (load transfers, a smart technology solution or more intensive reinforcement).

Stakeholder feedback

- In order to help flexibility providers in their investment decisions, any clarity on order of prices and expected timeframes is appreciated. Similarly extra visibility of flexibility needs in future years, as well as decision drivers and the methodology used are welcome;
- There is a preference to deal with the network operator over a platform;
- At this point in the market development a number of flexibility providers have a preference for fixed price procurement over auctions;
- Delegates were reassured to hear that Electricity System Operator (ESO) / Distribution System Operator (DSO) coordination is within the current scope of industry collaboration; and
- The system should be designed for automation. Consumers will incur unnecessary costs should every action be taken through a notification prompt. The onus may be on the Distribution Network Operator (DNO) to educate the industry that this is the preferred approach.

A socially inclusive transition

We recognise that some of our customers may find it difficult to engage with the new technologies and services that are emerging in the energy transition. It is our duty to ensure these customers are not left behind as the market and regulations develop.

Stakeholder feedback

- The DSO transition should be inclusive by design;
- DSO widens the definition of what a 'vulnerable energy customer' is;
- Smart meters have the potential to deliver an informed, more affordable service for vulnerable customers, in a considerate manner;
- DSO reshuffles the costs and benefits of the energy system, and the challenge is to get the socialisation of both costs and benefits right; and
- It may be a challenge to support vulnerable customers without jeopardising the decarbonisation momentum or putting off early adopters.

Local energy as a catalyst for energy system change

Decisions about energy policy and investment are now increasingly taken at a regional level. Energy plays a key role in local strategies to reduce fuel poverty, tackle air pollution, and make places more resilient and attractive to residents and businesses. We have a duty to ensure our part of the energy system serves all customers, regardless of their interests.

Stakeholder feedback

- The function to optimise the whole energy system is an essential one, but a vacant one for now. In the conversation, DNOs emerged as a trusted, neutral party that could act as a catalyst in that space;
- New value propositions around local energy are very much in the emerging phase, and it will take clearer economic incentives for new ones to come to market;
- Technology and automation can be a solution to drive customer engagement (otherwise low because of apathy or low price signals), but still requires an initial buy-in from the customer; and
- Stakeholders of local energy are varied including: housing developers, local authorities, community energy, social housing providers, energy retail companies, etc.

Feedback

2. A summary of key points from the roundtable discussions cont.

Innovation driving customer benefit

Our innovation portfolio is central to our transition to becoming a DSO. It is leading our thinking on the open questions that define what DSO is and how it will benefit our customers.

Stakeholder feedback

- The governance process of Northern Powergrid's innovation portfolio, specifically around investment decisions, is not well known by some of our stakeholders;
- DNOs need to consider the implications of industrial heat decarbonisation in addition to domestic heat; and
- Digital transformation offers a large potential to the development of flexibility platforms and of energy management.

New forecasting capability for future investment

As an input into our scenario-based load forecast, we will pilot our preferred selection of forecast scenarios. We want the forecasting process to be collaborative and transparent.

Stakeholder feedback

- National Grid's Future Energy Scenario models are nationally understood and accepted as a useful set of assumptions which provide interested parties with common reference points needed to consider the future energy system. To ensure sufficient granularity each DNO should produce scenarios modelled from the FES clearly stating assumptions used to reach the final forecast. This approach allows providers to understand why the DNO's view is different to FES and if they are realistic;
- Stakeholders are willing to make informed decisions of their own as long as they have full visibility of methodology and assumptions made in each scenario; and
- In terms of the flexibility market, the appetite is for longer term visibility and stability: i.e. the longevity of flexibility needs by the network (reinforcement deferment or avoidance).

Network flexibility through new technology & our customers

We are getting on with the DSO transition by implementing flexible solutions where it makes sense to do so (either a customer solution or a network solution). For instance, we are planning to roll out further Active Network Management (ANM) zones.

Stakeholder feedback

- Stakeholders were unanimous in asking for long-term visibility on flexibility needs;
- There was a desire to clarify the potential for the actions of a ANM scheme working against the provision of an ESO balancing service;
- ANM customers find it useful to be provided with a non-binding curtailment forecast (as we currently do as part of the connection offer); and
- It is worth considering the question of cost distribution when it comes to ANM (i.e. should the cost be socialised across the wider customer base, thereby benefiting large connection customers?).

Supporting local energy through data

We already share a large amount of data about the network – current and future. Data provision will be a core DSO function, as it facilitates the emergence of new energy markets, and because it supports our commitment to transparency.

Stakeholder feedback

- There is a large appetite from our stakeholders for more network data (mapping, capacity, losses, power flows, frequency and voltage, down at the LV level). This is driven by the desire for better wholesystem planning (at Local Authority level), more transparency (quality of supply), and the appeal of potential revenue sources (flexibility);
- The vision described is one where the DSO provides the data, a basic description, and usage guidelines, and then takes a step back (does not get involved in prescribing various usages), but instead lets creativity and innovation take place – Transport for London was quoted as an example;
- Big data introduces the challenge of the requirement for a new type of skillset in our organisation; and
- Standardisation and common taxonomy should be a focus.

Feedback

3. Questions asked on the day

Here is our response to the questions that were asked most during the day:

Q1 Could the DSO function be opened up to competition?

The term DSO is used to describe a combination of new functions[1] that are required for the electricity networks to run as reliably and as efficiently as possible in the context of changing customer behaviours. Our belief is that the network operators are best placed to deliver most of these new functions, and the question of responsibility is being discussed through the Open Networks project, under the supervision of BEIS and Ofgem.

Q2 How do we ensure neutrality? And who is the arbiter/guardian of this?

In terms of our own impartiality, our commitment and actions towards creating a level playing field between network solutions and customer flexibility solutions are demonstrated through:

- The blend of RIIO regulation and incentives that we comply with;
- Our track record in introducing positive changes (including competition in connections);
- Our company culture which promotes a strong ethos;
- The introduction of a clear definition of roles within our teams; and
- The reporting and visibility of our actions.

Q3 How can we ensure the benefits of the DSO transition are realised by all – including the most vulnerable customers?

Many aspects of DSO are inclusive by nature: cleaner air, better reliability of the electricity network and increased efficiency of our contribution to the energy bill. But many other aspects will need managing with a view to maximise opportunities and minimise risks for the most vulnerable. There is great awareness of this in the industry. On our side, we are working with our Social Issues Expert Group to put together a plan of actions.

[1] Open Networks has produced a description of these in the 'DSO Functional & System Requirements' report.

February 2019