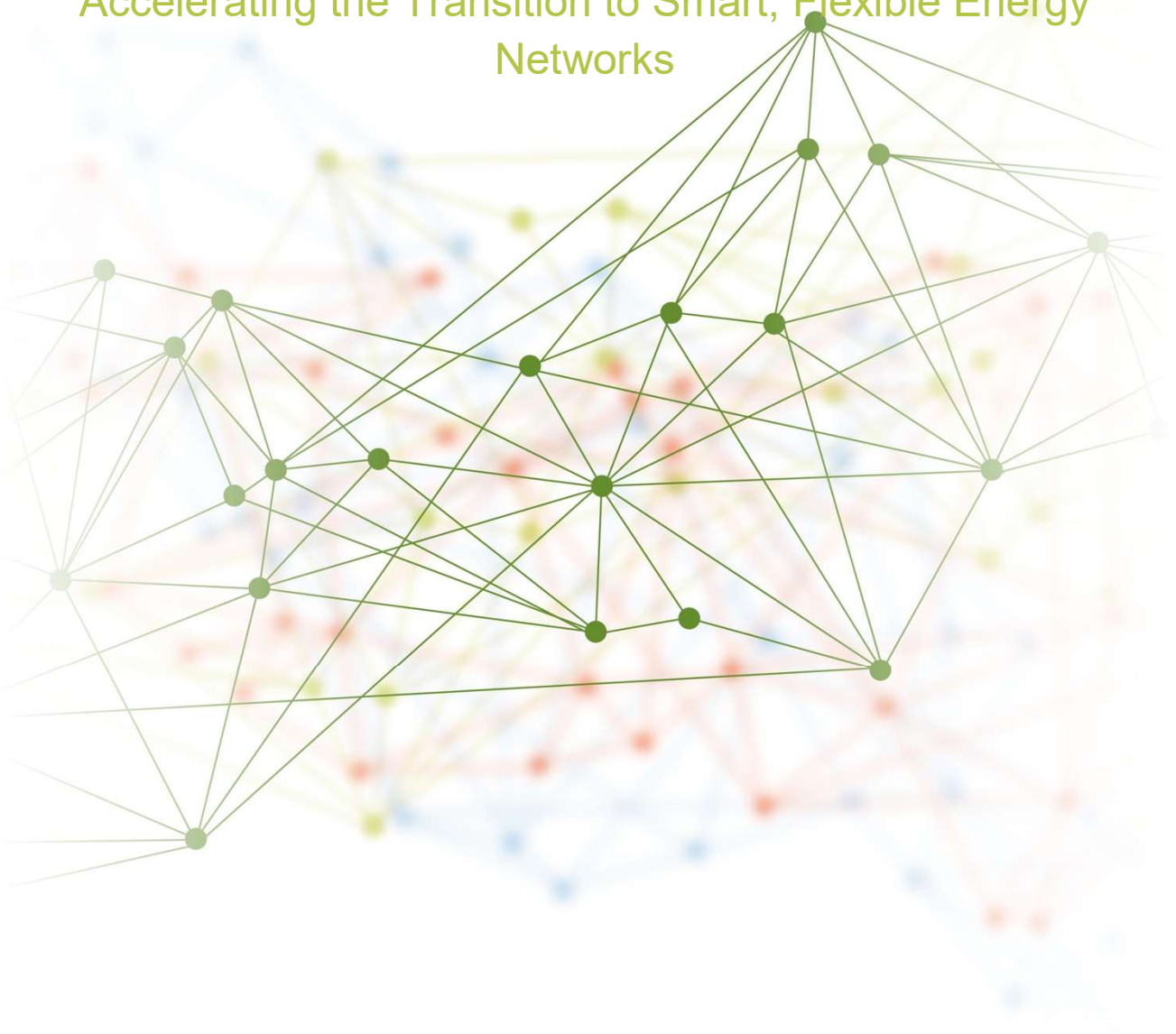




FUSION

USEF Consultation Report – Exec Summary

Accelerating the Transition to Smart, Flexible Energy
Networks




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- This document forms part of the deliverables set out in the Project FUSION Directions – Report on consultation responses and analysis.
- This document can be cross-referenced with our publications of USEF Due Diligence Report, USEF Consultation Document, and USEF Consultation Report on the FUSION Webpage.

Version History

Author	Revision	Date	Status	Comments	Reviewed by
Rafiek Versmissen (DNV GL)	V0.1	27/09/2019	Draft		Ehsan Mian (SPEN)
Rafiek Versmissen (DNV GL)	V0.2	04/10/2019	Revision	Enhanced quantification to analysis and refinements	Ehsan Mian (SPEN)
Rafiek Versmissen (DNV GL)	V0.3	10/10/2019	Revision	Further refinements	Ehsan Mian (SPEN)
Ehsan Mian (SPEN)	V0.4	15/11/2019	Final	Inclusion of details for consultation process and events	James Yu (SPEN)

Approval

Name	Position	Date	Signature
James Yu	Future Networks Manager	15/11/2019	

INTRODUCTION

The purpose of this document is to provide summary and analysis of stakeholder responses to the “Accelerating the Transition to Smart, Flexible Energy Networks” Consultation on the USEF Framework. This consultation was launched for 8 weeks as part of Project FUSION on 8 July 2019. The consultation forms part of the third Work Package (WP3) of Project FUSION, which explores the **implementation of the USEF framework in the GB context** and seeks to inform policy development around flexibility markets and the DNO-DSO transition.

The aim of this consultation was to inform the Project FUSION flexibility market trial, where key USEF concepts will be implemented in practice to assess their feasibility and effectiveness, as well as the development of a USEF GB Implementation plan. The USEF implementation plan (to inform the FUSION flexibility market trail and for GB) will be compiled and made available as another publication under Work Package 3 of Project FUSION.

The questions presented in this document for the public consultation covered several aspects of the design, organisation, arrangements and requirements of flexibility markets. All of the questions included the relevant context and then set out USEF’s recommendations to form the basis of the questions. The questions also included a reference to the section(s) of the USEF due diligence report providing full details of USEF’s proposals, and linking it to the relevant GB context.

CONSULTATION PROCESS

A Due Diligence of the USEF framework was completed against legal, regulatory and market arrangements governing the GB energy sector. The purpose of this was to identify whether USEF is fit-for-use in the GB market and to identify innovative elements in the USEF framework that could add value to the current and future market design, and that can be trialled and proven within the FUSION project.

The findings from this Due Diligence formed the basis of the Consultation Document. The objective of the Consultation Document was to distil the key outcomes of the Due Diligence report into a series of key questions that the industry would have to be consulted on in order to plot a course for successfully implementing USEF in the UK. A set of proposals was developed to overcome gaps and conflicts between GB arrangements and the USEF framework, as well as to consider innovative elements of the USEF framework to inform future GB market design.

The questions were refined through consultations with key industry experts (Including Ofgem, BEIS, Elexon, ENA, National Grid ESO, Aggregators, DNOs, Energy UK Forum) in bilateral discussions and workshops to gather their views on the appropriateness of the questions prior to the open consultation. The stakeholders were generally positive that the right questions were being asked, and that the questions would address topics that have not been raised by other consultations or projects. The feedback was then used to refine the questions for the next stage of the consultation.

The Public Consultation consisted of 14 set questions and was live on various online platforms for 8 weeks. A further 3800 stakeholders with a wide range of expertise were contacted and encouraged to respond. Additionally, presentations to forums (Including the Energy UK and Flexibility Market Forum) and two public events were held in Glasgow and London. At these two events there were on average 35 representatives from different organisations who participated in each event, and actively welcomed the need for this consultation. The events were split in two halves. During the mornings, there was presentations and Q&A sessions to create a common understanding of Project FUSION and specific USEF elements. Then in the afternoon round table group discussions and 1-2-1 sessions were organised to directly engage with interested stakeholders on the USEF topics of their choice.



OVERVIEW OF THE CONSULTATION RESPONSES

Stakeholders at the consultation events in Glasgow and London broadly recognised and welcomed the need for the USEF consultation and considered the practicalities of innovative elements defined within USEF. There was a general agreement to most of the recommendations and principles that a standardised and transparent framework could provide.

The outcome of both consultation events can be summarised with the following key points with discussions broadly concerning aggregators and flexibility services:

Glasgow

- There was broad agreement on the possible economic benefits of free bids in facilitating value stacking and risk management for aggregators.
- Flexibility services will be determined by the free market.
- Price and transparency will be crucial for the flexibility market
- The aggregator will have the honest broker role, it will be the main contributor and bring market actors together.
- The networks should consider deferring reinforcement to give the DNO/DSO time to establish a true picture of requirements before committing to large capital spend. This will also require large amounts of customer and network data, and raised the question of how will this data be received and stored.

London

- It is important to enable new business models and concepts and create a liquid market in which aggregators can provide as many services as possible.
- For flexibility market operation, explore the concept of sharing only the information needed to support an effective market and sharing only with those organisations who would need to have access to it to maximise the benefits.
- Locational Pricing will require stacking and all market actors will be involved in the process
 - Congestion, Connection and Reinforcement (Avoidance or Deferral) will be included in future income calculations.
 - Explicit Demand Flexibility will require some form of controls.
 - Implicit (Customer) Demand Flexibility will be unchanged by price signals.
- The group liked the Traffic Lights mechanism. Project FUSION will help to development the operation regimes further within USEF.
- Project FUSION will assist to develop and demonstrate the value of Flexibility Services and a Flexibility Services market.
- Free bids allow aggregators to use assets that cannot guarantee a certain pre-committed quantity.
- Flexibility only will have value to the DSO if it can be relied upon. Therefore, aggregators do have obligations, depending on their contract.



The Public Consultation received twelve written responses including comments and observations from multiple key stakeholders with wide range of expertise. The following table provides a summary of the key messages from these responses.

We asked your view on ...	You said...
Independent aggregation in wholesale energy markets	Respondents who provided an answer broadly supported USEF’s recommendation on independent aggregation in wholesale energy markets. Stakeholders provided considerations around the complexities of multi-stakeholder interactions. Views on who should take the initiative to design and propose the Transfer of Energy (ToE) methodology varied.
Use of congestion point repository (Common Reference)	Most (67%) stakeholders would like to see standardisation of the publication of congestion points and associated connections. Some respondents recommended that Project FUSION should align efforts with the Energy Data Taskforce (EDTF). Half of the stakeholders consider there is no need for creating a new regulated entity and that existing processes and/or organisations could operate the repository.
Use of a central data hub	The majority (83%) of respondents supported USEF’s recommendation to develop a central data hub for recording flexibility transactions. Several (42%) stakeholders consider there is no need for a new regulated entity for the central data hub.
Constraint Management Service Provider (CMSP) role	Stakeholders indicated that they found it challenging to answer this question, with half providing a neutral answer. Some (25%) stakeholders consider that the responsibilities of the CMSP should be formalised. Views on the scope of responsibilities of the CMSP role were limited.
Standardisation of operating regimes	Respondents acknowledged the need for transparency on network limitations. The majority (58%) of stakeholders welcomed USEF’s operating regimes. The majority (67%) think that clear rules should regulate DSOs move from one state to the other.
Information exchange between suppliers/aggregators and the ESO/DSOs	Almost all (92%) of the stakeholders agreed with the need for further information exchange between suppliers/aggregators and the ESO/DSOs. Most respondents (67%) agreed with mandating the information exchange, specified in USEF’s D-programmes. Stakeholders who did not support mandating D-programmes placed emphasis on additional barriers for aggregators to enter the market.
Standardisation of flexibility platforms interface	Respondents (92%) supported the standardisation of interfaces between platforms and/or market participants. Most responses did not differentiate between the two types of interface referred to in the question. Stakeholders provided various views on the scope of the standardisation.
Use of “free” bids in congestion management products	The majority (67%) of stakeholders acknowledged the potential value of “free” bids in congestion management products. Responses that said “Don’t know” (25%) recommended that further analysis be undertaken to understand the benefits of this with regard to contracted long term flexibility services.



We asked your view on ...	You said...
Coordination mechanism for DSO flexibility products & processes	<p>Most stakeholders (75%) consider that a common mechanism for all DSOs and the ESO to procure flexibility and interact with the market would be beneficial.</p> <p>Many (42%) stakeholders supported USEF’s Market Coordination Mechanism, with no negative responses.</p> <p>The scope of standardisation should include settlement processes, measurement, validation, operation, contracts, communication, data and terminology.</p> <p>Most stakeholders (58%) would like to see alignment with European processes.</p>
Aggregator implementation models (AIMs)	<p>Half of the stakeholders believe that aggregators should have balance responsibility, all other answers were either neutral or inconclusive.</p> <p>A majority (58%) of respondents considered that revising supplier’s open position should be facilitated in the market.</p> <p>Some respondents highlighted that mechanisms are already in place and that the upcoming P344 modification will ensure that suppliers are fairly treated.</p>
Re-dispatch responsibility	<p>Half of the stakeholders gave a specific suggestion of who should perform the re-dispatch, the other responses were neutral. The most popular suggestion (25%) was that the ESO should be responsible for the re-dispatch.</p>
Use of dynamic pooling for flexibility value stacking	<p>Most stakeholders (67%) were supportive of dynamic pooling and acknowledged its potential benefits.</p> <p>Some (25%) of the respondents suggested that further analysis would help to understand the benefits, risks and practicalities of dynamic pooling and whether it should be applied to all products.</p>
Use of sub-metering in flexibility services and products	<p>The vast majority (83%) of stakeholders supported sub-metering in all markets and products.</p> <p>Responses varied on who should be responsible for validating the sub-metering data, with half answering “Don’t know” or “No answer”. Some respondents (17%) recommended ELEXON.</p>
GDPR alignment of Congestion point publication	<p>Some respondents (33%) believed that there is no GDPR breach as long as data excludes personal information and/or includes Meter Point Administration Number only, which, they say, cannot be linked to addresses and personal information.</p> <p>Three respondents suggested that it will be challenging to publish information on small assets, small businesses and households without breaching GDPR.</p> <p>25% suggested alternative solutions for capturing locational information, such as enhanced network monitoring by the DNO/DSOs or use of network data plans with aggregated data.</p>



ANALYSIS OF CONSULTATION RESPONSES

Figure 1 provides an overview of the respondents’ support for USEF recommendations as well as the level of complexity required to discuss and implement the recommendations in GB context. The assessment of the complexity level reflects a combination of stakeholders’ views, previous experience implementing USEF in European markets, the potential need for regulatory changes, the existence of current GB initiatives exploring similar changes, as well as the number of stakeholders that will be involved in, and affected, by the change.

Recommendations with high support from the industry and low complexity (upper right quadrant) can be considered “quick wins” for USEF implementation in GB. USEF recommendations received generally high support (varying between 67% to 92% of written responses) from participating stakeholders.

The level of support was lower for specialist concepts with which individual stakeholders might have been less familiar, such as the role of the Constraint Management Service Provider (CMSP).

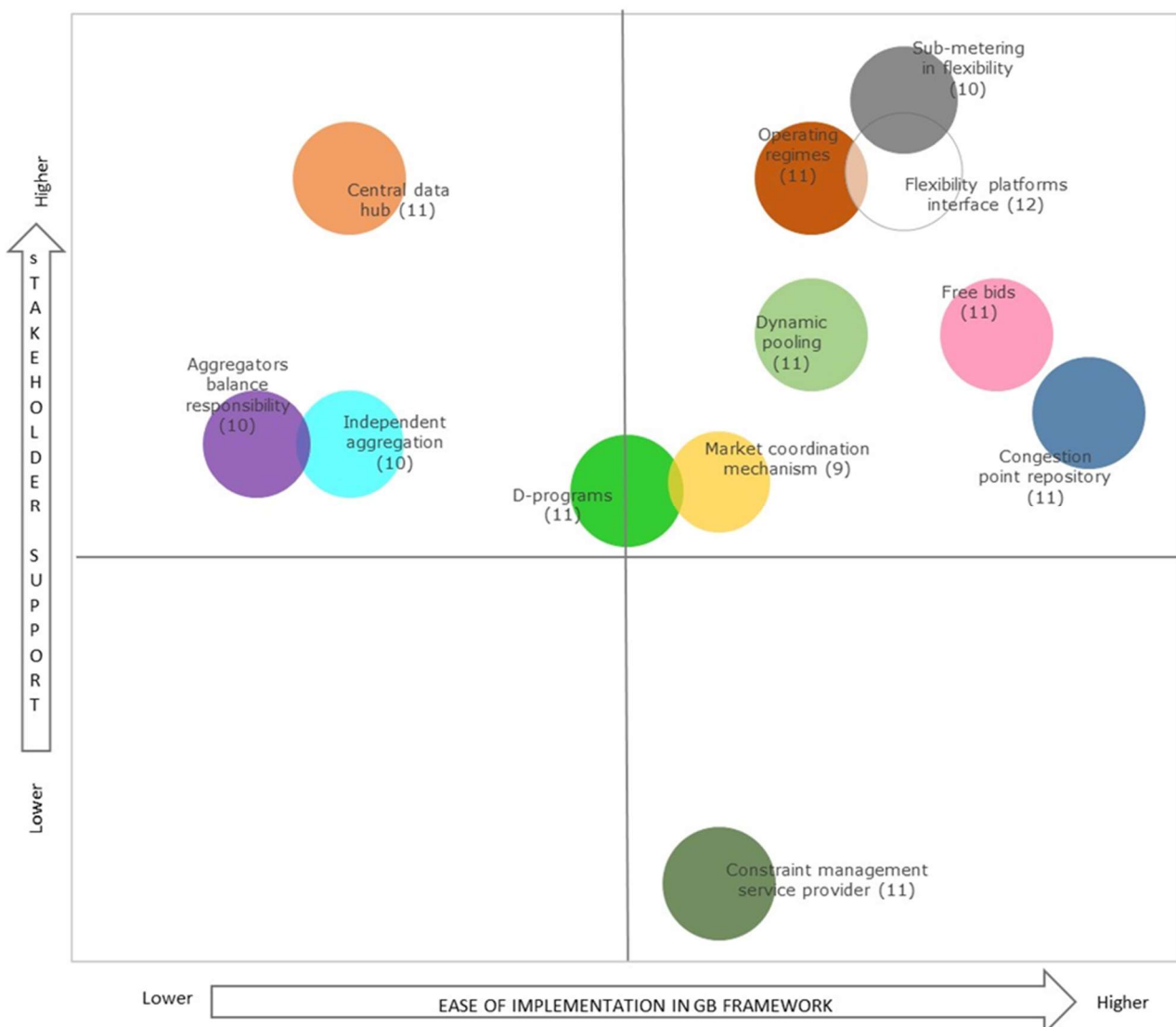


Figure 1: USEF Recommendations: stakeholders’ support and ease of implementation (no. of responses indicated in the brackets)



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MAIN OUTCOMES

Following our analysis and review of the consultation responses, we consider the main outcomes and next steps to be as follows:

All questions were deemed highly relevant by the respondents, when implementing flexibility mechanisms in the GB market and regulatory framework.

This consultation sought to test the most relevant and innovative elements of USEF in the context of the GB market. Irrespective of the answers provided, respondents agreed that the questions raised need to be answered, in order to achieve well-functioning flexibility mechanisms in the GB market. As next steps we will: seek to facilitate and/or continue discussions with the industry where recommended by stakeholders; undertake further analytical work on changes required for a USEF-compliant implementation in the GB context; and where possible, underpin these discussions with insights gained from the Project FUSION trial.

The majority of the proposed innovative elements gained high support from the respondents.

Proposals such as a standardised way of communicating on congestion issues, the use of sub-metering and dynamic pooling in all organised markets and products, gained high support. Some of these topics are still under development in the current GB regulatory framework and some are being explored by other industry initiatives, such as the ENA ON project. We will therefore align our activities with industry initiatives and consider testing the proposed solutions in the Project FUSION trial to deliver wider learnings for GB energy stakeholders and consumers.

Several elements gained support on a conceptual level, but respondents indicated that more analysis, discussion and/or proof is needed to assess which of USEF's options are fit-for-purpose.

Some innovative elements (independent aggregation in wholesale markets, balancing responsibility for aggregators and re-dispatch options) received inconclusive answers, with respondents wanting to explore the proposals further in conjunction with the general direction of the market on these topics. For these elements, further work and discussions among GB energy industry stakeholders are recommended to explore the practicalities, risks and benefits of different options for implementation. Including such elements in the USEF trial may prove to be valuable, but this needs to be balanced with the possibility that the GB market may move an alternative direction.

One element presented a varied and inconclusive response from stakeholders.

The recommendation to define a separate role for a *Constraint Management Service Provider (CMSP)* received a varied response. This is observed due to a lack of awareness of the innovative elements of USEF at this stage. We will reconsider the impact of this outcome for the Project FUSION trial. As some stakeholders have observed, the responsibilities of the CMSP could easily be joined with those of another role, should this be the outcome of the GB discussion on the potential role of the CMSP.





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