

▷ DSO

Revenue Stacking for Flexibility Services

Getting your feedback to enable
us drive the most benefit

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nationalgrid



Agenda

1. Introduction
2. Summary infographic
3. Getting your feedback
4. Questions



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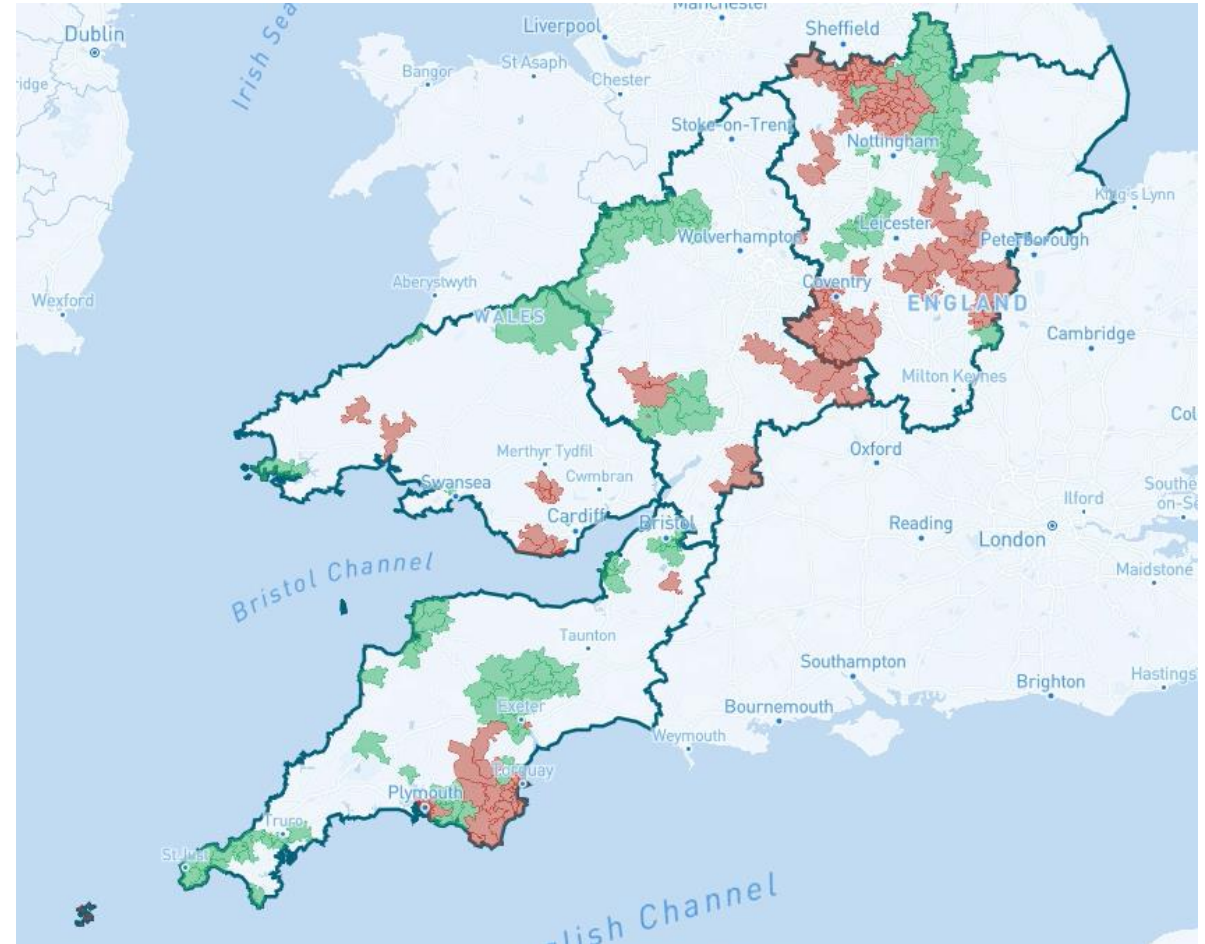
National Grid and DSO

- National Grid Electricity Distribution is the largest DNO by area in the UK
- DSO functions sit in their own directorate
- We have been building DSO capabilities since early ED1
- We have been publishing DFES since 2020, DNOA documents since 2021 and procuring flexibility service since 2018
- Building on this success, we have launched our DSO Charter to focus our actions in ED2



Importance of revenue stacking

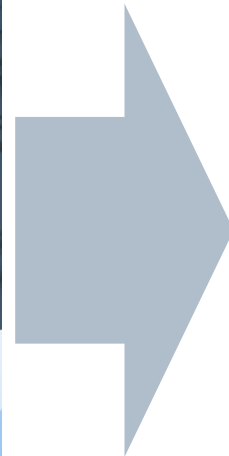
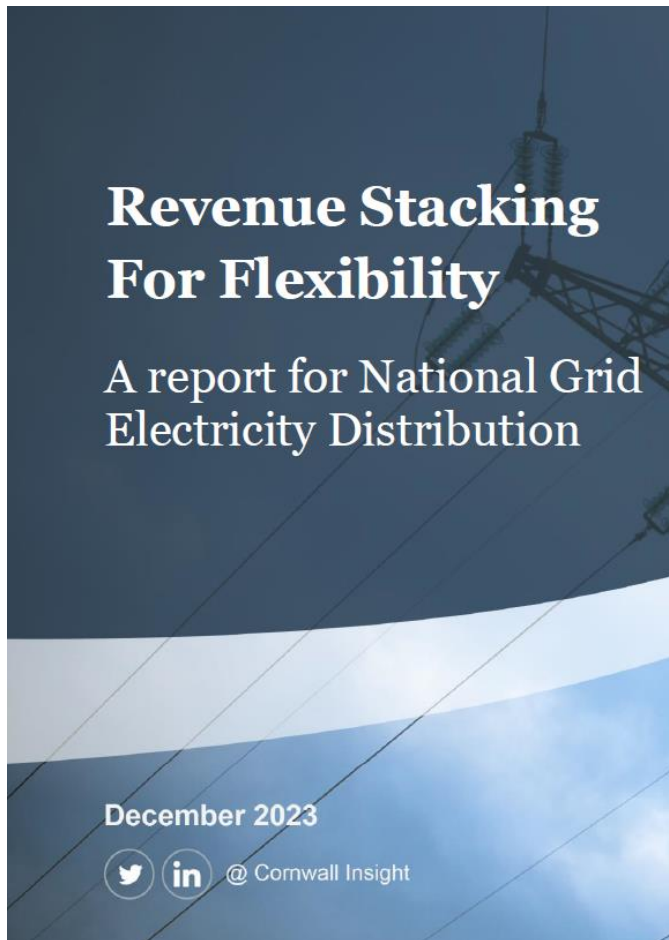
- The need for DSO flexibility services has historically outstripped supply.
- We want to build liquid local markets to allow us to defer more reinforcement, drive competition in delivery and drive value for our customers.
- Given the inherent challenges associated with DSO services (Geographically constrained, time bound needs), it is essential we lower the opportunity cost of service provision.
- DSO pricing is fixed against the cost of reinforcement so unit values are higher when volumes are lower.
- Revenue stacking sits alongside wider work to simplify access to our services.



Revenue Stacking For Flexibility – summary infographic



Infographic covers key report findings



Three key takeaways

Flexibility services procured to maintain security of supply are changing to meet the needs of an evolving electricity system

There is varied interaction between services

Good progress to date, but improvements include better guidance on service provision and interaction

Wide range of service and revenue streams



DSO Services



Frequency response



Markets or mechanisms



Reserve



Constraint management

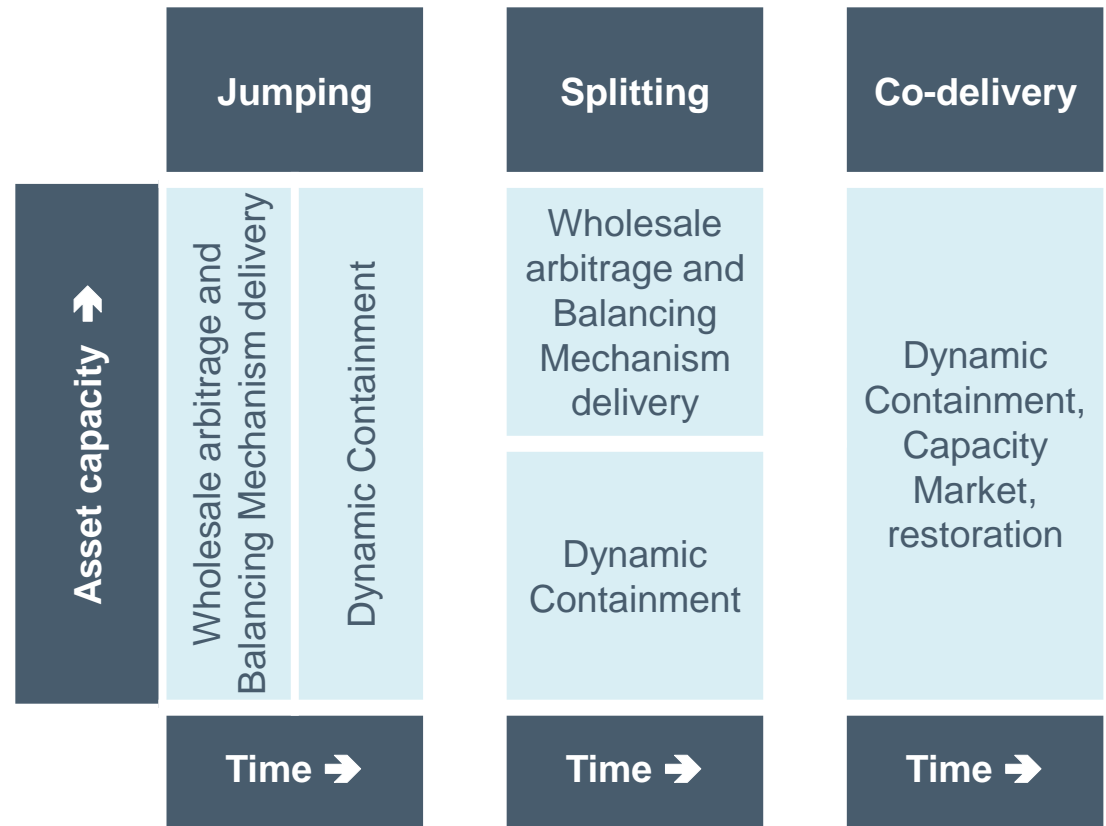


System security and restoration

Limited, but improving, stackability options

- **Jumping** – moving from one revenue stream to another in adjacent or nearby time periods
- **Splitting** – asset's MW capacity split and offered to different services simultaneously in the same time period
- **Co-delivery** – the same MW acts (in the same way) offered to more than one service in the same time period

Implicit and explicit stackability



Source: Cornwall Insight

Addressing challenges should improve provision

Challenge

? Uncertainty over co-delivery

? Poor visibility of ability to stack

? Inconsistent service window timeframes

? Non-firm connections are a challenge

? No obligation to consider challenges and future service needs

Recommendation

✓ Clarify co-delivery – CBA

✓ Establish cross-service guidance

✓ Align windows (short time supports jumping)

✓ Establish guidance on eligibility for non-firm connections

✓ Develop principles to maximise liquidity/ stacking

About Cornwall Insight

Established in 2005, Cornwall Insight is one of the most respected voices in the energy industry. We provide research, analysis, consulting and training to businesses and stakeholders in the Great British, Irish and Australian energy markets.

Our insight

Our independent experts work across the energy market and provide high quality and actionable insights on which to base your business decisions. We look to facilitate positive market and policy change, whilst also advising customers on how to navigate and comply with energy market dynamics, rules and regulations.

Our expertise

Our experts in-depth working knowledge of energy market design, including policy and regulatory changes, means we are perfectly placed to advise on changes to the future market design and help businesses achieve their net zero goals.



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**Any
Questions?**

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