DistributionSystemOperator

Revenue Stacking For Flexibility

Feedback Report

February 2024

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Introduction

This report provides a high-level overview of the feedback received on the Revenue Stacking for Flexibility report and summary infographic at the webinar and workshop held on 13th December 2023, and 14th February 2024, respectively, by NGED and Cornwall Insight. While the webinar detailed key findings and recommendations from the revenue stacking report, the workshop highlighted the revenue stacking summary infographic, focusing on gathering feedback on these key findings and recommendations, to enable us drive the most benefit.

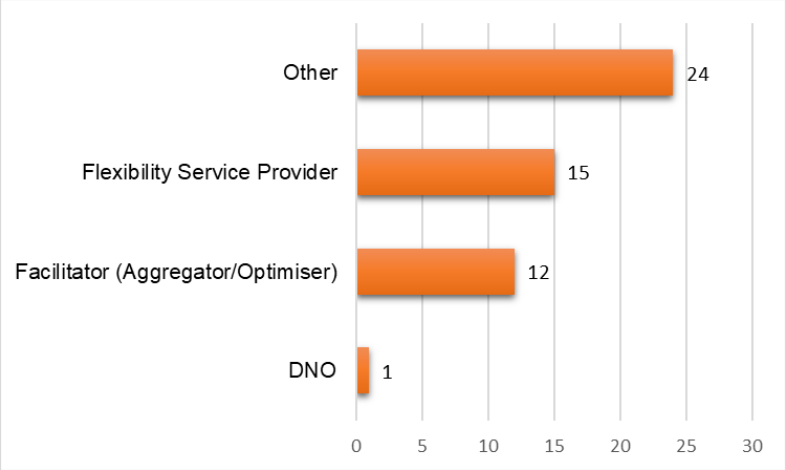
Please note that some of the participants' free-text responses have been summarised and grouped together for clarity. These summarised responses are accompanied by a count of the number of participants who provided similar feedback.

The Revenue Stacking for Flexibility report, commissioned by NGED and conducted by Cornwall Insight, explores the potential for flexibility service providers to combine multiple revenue streams. It focuses on how services procured by Distribution System Operators integrate with other, more established revenue streams. The report builds on two earlier papers produced for NGED and the ENA's Open Networks programme in 2020.

We extend our thanks to everyone who contributed to this process. We will share this feedback with the Open Networks project to help shape their approach and deliver tangible benefits in this area. If you have any questions about the work, or want to provide further feedback, please contact NGED.flexiblepower@nationalgrid.co.uk

Questions to and Responses from participants

1. Which of the Organisation group are you from?

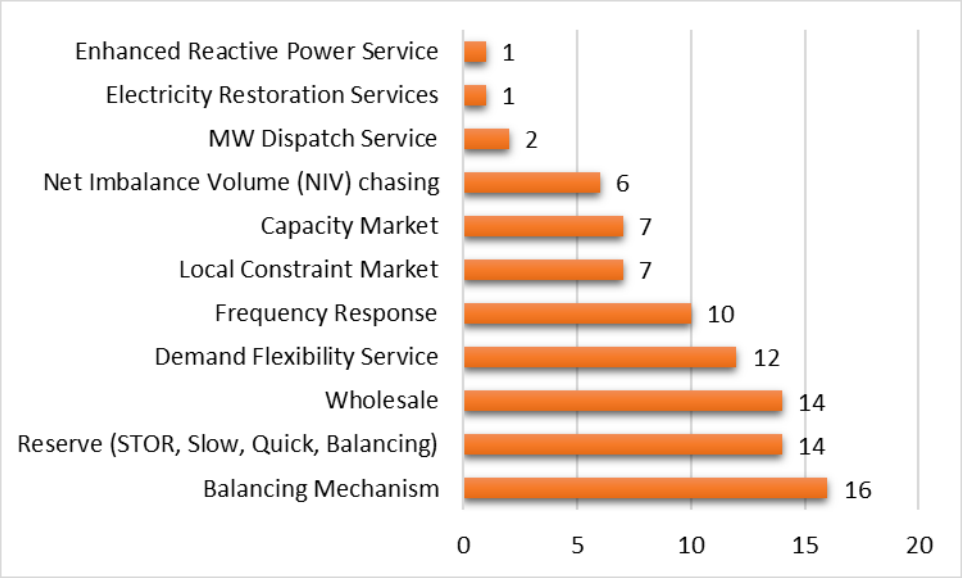


2. What is your biggest barrier to participating in DSO services?

Uncertainty
Future uncertainty regarding FSO and market facilitator roles
Uncertainties around market primacy rules
Connection offers or changes to connection area
Changing regulatory landscape
Lead time and Long term commitment on volumes
Irregular service demand (few hours per year)
Standardisation
Lack of standardisation across the DSOs including standard contracts suitable for aggregators of domestic flex
Standardisation of data and information across DSOs and Flex platforms
Absence of standardised APIs across DSOs (**x2**)
End to end process and information sharing vary across DSOs (**x6**)
Clashes between ESO and DSO services
Complexity of process and access to information
Lack of transparency and future grid service forecasts
Complex bidding and asset approval processes
Metering and technology requirements
Limited knowledge about available services and participation methods
Difficulty enrolling assets, and sometimes lack of clarity about which assets are eligible
Competition and exclusivity
Exclusivity requirements from ESO and other services
Difficulty securing third-party customers

No clear solution exists when the same asset is signed up with multiple aggregators
Limited overall participation capacity due to potential partners wanting to do it themselves
Value
Lack of visibility over future volumes / value to justify the investment in the near term
Difficulty finding a financially viable model
Balancing long-term value with providing good customer value
Low ceiling prices and overall limited value (**x7**)
Lack of price certainty in the long term

3. Which wider flexibility markets are of most value to potential DSO service providers?



4. Are there any additional challenges to revenue stacking we should be considering?

Future uncertainties
Uncertainty regarding the future of flexibility services and their associated revenue streams
Uncertainties related to future government policies, FSO roles, LMP, TCLC, and consultations.
Difficulty forecasting future location for specific service types
The impact of P415 on willingness to participate in local flexibility services
Coordination vs Stacking
Functionality of stacking services in flex platforms and in-house DSO platforms.
A clear distinction between stacking and coordination
Challenges faced by small-scale assets and independent flexibility services providers when accessing other services, such as requiring smart meter data for DFS.
Baseline erosion

Potential for service delivery periods to overlap and erode baselines for other services due to the lack of a centralized record of response periods (**x4**)
Client convincing and Transparency
Convincing clients whose core business is not flexibility of the value proposition of these services
Transparency regarding DSO load requirements

5. If you could make one policy change to support revenue stacking, what would it be?

Flexibility metering
Review metering requirement for fair access (**x2**)
Metering standards should apply at the aggregate level, rather than the asset level, where appropriate
Market participation
Enable multiple market providers to offer DSO services to avoid lock-in and increase competition
Allow participation in DSO and DFS services
Develop smarter Active Network Management systems across DSOs and allow for ESO market participation.
Remove the minimum threshold for participation in ESO services, such as BM and STOR (**x4**)
Drive more liquidity into the market, and enable peer-to-peer trading
Service design
Design services to be stackable from the outset.
Elexon could play a role in tracking service delivery windows, facilitating alignment across different service baselines, enabling adjustments to BM positions, and monitoring compliance with stacking rules
Develop a single, comprehensive guide for all DSO market and explicit participation scheme, outlining the complementary nature of each service term.
Forecasting practices
Develop forecasting methodologies for flexibility services to enable companies to plan their growth.
Standardise forecasting practices across DSOs in coordination with the ESO.

6. Could you provide your relative priorities to the following recommendations?

	Vote count		
Question	**High**	**Medium**	**low**
Decide and/or make clear whether value should be achievable for delivery of multiple services with the same MW	9	6	7
Establish cross-service guidance. Establish a regular opportunity for Q&A (FAQ or annual forum)	18	10	8
Information regularly reviewed, updated and put in one readily accessible location online	15	14	4
Align service window timeframes where possible. Shortening them supports jumping (e.g. a BESS requiring time to charge)	14	10	6
Provide clear guidance on non-firm connection eligibility for every service	5	5	8
Enhanced information sharing on curtailment likelihood, supporting procuring entities in allowing service provision when curtailment likelihood is low	8	10	5
Where possible move as close to real time procurement as possible	15	3	2
Co-develop a contractual framework with common elements/areas and schedules for ESO/DSO specific requirements	9	10	2
Review service requirements, where they may be prohibitive to understand if they are necessary for service provision	13	5	4
Align baseline approaches across DSOs. Base exceptions on requirements for the DSO and clear communication on the differences with FSPs	12	6	3
Review and incorporate DSO services as Relevant Balancing Services or state why they have been excluded	5	9	2
Develop a set of self-governance principles in order to maximise liquidity and stacking	2	9	5
Review the DFS rules to ensure access to new small scale assets	10	2	7

7. Are there any further recommendations we could be taking?

Value
Provide clearer long-term projections of both market value and volume across all DSOs (**x2**)
Market access
Enable FSPs to access the market through their platform of choice
Clearly define the role of the market facilitator and its impact on market governance

Standardisation
Implement a common bidding process through a single platform
Emphasise the importance of standardised communication protocols and data alignment across DSOs

8. How should these recommendations be taken forward and by whom?

Elexon: Track service delivery periods across stacked services
Ofgem: Conduct a call for evidence based on the report findings (**x2**)
Ofgem: Ensure consumer value
Establish a DSO-led approach aligned with the Market Facilitator

9. Do you have any further feedback?

More certainty and clarity are required
Focus on simple and effective action rather than getting bogged down in governance
The report would benefit from an opportunity cost analysis, quantifying the potential benefits to the UK
Services could be simplified and made more transparent
It would be valuable to consider the report's findings in the context of specific network needs. For example, SPEN might prioritize generation turn-down services, while NGED might have different priorities. This could help inform overall priorities and resource allocation
While stacking is a future goal, many small-scale providers and independent aggregators are currently facing significant challenges even in accessing other services
Longer-term contracts would provide more certainty and incentivise participation by making the market more attractive

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