

Learning Together: A joint consultation on proposals for local flexibility

The webinar will start shortly



This webinar is being recorded and will be uploaded to our websites. A link to the slides and recording will be circulated



We will be using Slido to gather feedback. Go to www.slido.com and use code 1266995 or scan the QR code on the right



Please post any questions in the Zoom chat





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Head of Commercial and Operability

22/07/2024

national**grid**



DSO

DISTRIBUTION SYSTEM OPERATOR

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Head of Flexibility Markets



Introduction

- Local flexibility is delivering benefits to DSOs, but there is significant untapped potential
- UKPN and NGED dispatched more than 10GWh of flexibility in 2023/24. Together we have a lot of experience of what is working and not
- Alignment of approaches across DSOs and between DSO-ESO is critical. Through the ENA Open Networks programme we are making progress towards this
- But we see opportunity for further learning and alignment between our organisations which can support and accelerate Open Networks (and the Market Facilitator)
- What we learn will be shared with all DSOs and in some cases directly feed the Open Networks programme, eg the Baselineing working group

Today's Session

Areas where we want your feedback:

1. Consistent procurement and dispatch timelines
2. Demand Turn Up and Generation Turn Down
3. The value of fixed baselines
4. Building trust in flexibility delivery
5. Prioritisation of secondary markets

Please complete as much as possible today. The Slido will remain open until 23 August

UKPN and NGED will share a summary of feedback and next steps in September

We are proposing to align our closer to real-time procurement and dispatch timelines

Our experience

Through innovation projects and recent day-ahead product launch

Benefits of alignment

Facilitate simpler processes and systems for participation

Enable clearer revenue stacking opportunities

Our proposal

NGED to move week-ahead flex to day-ahead from 2025

10:00 network requirements

12:00 provider capacity and prices

13:30 dispatch

Same timings for long and short term contracts

Limit post gate-closure dispatch to where absolutely required

09:00	9:20-10:00 Day-Ahead Wholesale auctions
10:00	10:00 DSO communicates day-ahead requirements
11:00	
12:00	12:00 Provider submits capacity and prices
13:00	13:30 DSO dispatches for day-ahead
14:00	
15:00	14:30-15:00 ESO Response and Reserve auctions

Feedback

- **Do you agree with the approach of aligning decisions on short-term awards/trades and dispatch at day-ahead?**
- **If so – would a decision by 1:30pm support your operational and commercial processes?**
- **What do you see as the biggest challenges of participating at day-ahead and what enablers would you expect to be in place?**
- **Would your assets be able to respond within 2 minutes? Is an alternative commercial structure required to enable this?**

Send

Voting as Anonymous ▾

If you're happy to add your name/email please do!

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Procurement and Dispatch Timings

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Both DSOs will have growing need for demand turn up. We want to build on successful deployment to widen participation

Our experience

2023 Network Access and Charging reform strengthened the case for DSOs to buy demand turn up / generation turn down (DTU/GTD)

UKPN procured and dispatched DTU/GTD throughout 2023. NGED will procure from H2 2024

Very positive market response – particularly from domestic customers

There are some challenges to be resolved:

- Aggregator customer proposition eroded by higher supply costs
- Generation turn down often limited by terms of off-take agreement
- Lack of commitment around dispatch rates may limit participation

Our proposal

Continue to procure demand turn-up at day-ahead

Engage in wider industry conversations to ensure level playing field between aggregators and suppliers

Consider ways to reduce imbalance risk for off-takers

Consider the merits of longer term agreements with greater commitment

Feedback

- **Would longer term DTU/GTD contracts, with greater commitment to be available, be attractive to you?**
- **How can we best manage the impact of DTU/GTD services on supplier or off-taker imbalance positions? For example, through earlier dispatch decisions, better forecast data, or extension of the ABSVD process**

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Demand Turn Up / Generation Turn Down

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We believe that use of simple fixed baselines could be extended

The Open Networks project developed 4 baselining principles



Current approaches used

National Grid Electricity Distribution	UK Power Networks
<p>Fixed baselines for most assets</p> <p>Self-nominated baselines for I&C demand</p>	<p>A menu of options including:</p> <p>Fixed, Recent History, Nomination</p>

Our proposal

We want to align baselines with DSO decision making

Long term auctions	Short term auctions
<ul style="list-style-type: none"> • Need driven by planning assumptions • Fixed Baselines align well with principles 	<ul style="list-style-type: none"> • Need driven by operational forecasts • Fixed baselines are simpler • Historic could be more accurate

We need to consider how different baselines at different timescales might create mis-alignment.

Feedback

- **Do you agree that fixed baselines align well to the principles in planning timescales?**
- **Would you prefer to see the used of fixed, nomination or recent history baselines in operational time frames?**
- **How can we ensure fair utilisation of longer term and shorter-term contracts if different baselines are used?**
- **Are there other options for baselining that we should consider?**

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The value of fixed baselines

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Where we have signed long-term contracts, realisation of volumes has been challenging

We see 2 types of performance

Development Performance	Operational Performance
Realisation of awarded volume under longer term contracts	Delivering in line with dispatch instructions

- Performance incentives are based on reducing revenue rather than specific penalties.
- Operational performance tends to be good, barring occasional site specific exceptions
- Development performance has been a challenge. NGED only trades with operational assets now.
- We want to start a conversation about more active performance management, without creating undue barriers to entry.

Our proposal

We need proportionate measures, alongside options for mitigation

Measures	Mitigations
<ul style="list-style-type: none"> • Only contracting with operational assets • Bid Bonds • Capped, proportionate penalties 	<ul style="list-style-type: none"> • Opportunities to participate closer to real-time • Greater use of availability payments • Secondary Trading

Feedback

- **What are your views on our proposed approaches to mitigating Development Performance risks?**
- **What do you see as the most significant challenges to delivering high Operational Performance? Which options to mitigate penalties would most help you manage the associated risks?**

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Building trust in flexibility delivery

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We do not yet sense widespread needs for secondary trading, but will keep track of this

Secondary Trading allows holders of flexibility service contracts with the DSO to transfer them to others – who would then take on the direct contractual relationship with the DSO

Both DSOs have explored the concept of secondary trading.

We have seen limited interest in practice. Many of the benefits can be achieved through improving primary markets.

DSOs have a role in facilitating trading, but with a limited role in match making.

We will re-assess periodically.

Feedback

- **In the short term, do you agree that the option to participate in local flexibility markets closer to real time would deliver much of the potential benefits of a secondary market?**
- **By when do you think we will need a facilitated secondary market for flexibility service contracts?**
- **What market conditions will signal that need?**

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Prioritisation of secondary trading

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Next Steps

- Let us know what you thought of this webinar
- Review the consultation document
- Continue to fill in Slido (Code: 1266995)
- Email nged.flexiblepower@nationalgrid.co.uk and flexibility@ukpowernetworks.co.uk with any questions or to set up a trilateral call

Deadline: 23rd August 2024

- We will share with Open Networks
- We will publish a summary of the responses and our next steps

Feedback on today's webinar

- **How satisfied are you with today's webinar?**
- **Did you learn something?**
- **What did you find most useful?**
- **What, if anything, did you find least useful?**
- **Would you participate in a similar event in the future?**
- **What could we do to make the session better for you next time?**