



3rd Floor North
200 Aldersgate Street
London EC1A 4HD
Tel: 03000 231 231
citizensadvice.org.uk

20 May 2021

National Grid ESO

by email: box.WholeElectricitySystem@nationalgrideso.com

Dear ESO Whole Electricity System team

Citizens Advice response to the ESO consultation on Enabling the DSO transition

We welcome the opportunity to respond to this consultation as part of its statutory role to represent energy consumers in Great Britain. Our response is not confidential and may be freely published.

We have contributed to the ongoing development of Distribution System Operation (DSO) roles through various consultation responses, Ofgem working groups, and through our membership of the ENA Open Networks project Advisory Group. In particular, we have responded to the following consultations which may be relevant to show our developing thoughts in the area:

- [Citizens Advice response to Ofgem Key enablers for DSO programme of work and the Long Term Development statement consultation](#)
- [Citizens Advice response to ENA Open Networks Project 2021 Project Initiation Document consultation](#)
- [Future Worlds: Citizens Advice's response to the Open Networks project's consultation](#)

Patron HRH The Princess Royal Chief Executive Dame Clare Moriarty

Citizens Advice is an operating name of the National Association of Citizens Advice Bureaux.

Charity registration number 279057. VAT number 726 0202 76. Company limited by guarantee. Registered number 1436945.

England registered office: 3rd Floor North, 200 Aldersgate Street, London EC1A 4HD.

Overview comments

In responding to this consultation, we have provided overview points and detailed responses to the questions that were set in this consultation.

We are pleased to see this consultation and the development of an approach for the ESO to support and enable the DSO transition. However, we recognise that the roles and responsibilities for ESO and DSO functions are still evolving and that there continues to be a lack of clarity as to the exact functions each party will undertake. It is critical that there is a successful DSO transition with an excellent interface with the ESO for net zero to succeed and for the energy system to meet consumer needs at the lowest cost. We would encourage the ESO to take an approach that is adaptable to the ongoing development of the DSO transition and not to have a 2025 vision which is fixed and based on early stage DSO development.

We encourage ESO to consider and model a range of coordination options (e.g. deep, medium and light) for ESO engagement with DSO functions. This modeling should address which activities and outcomes are required, how the allocation of responsibilities will support or hinder system functions, and how they will provide consumer outcomes. We believe that this optioneering would more accurately prepare the ESO based on the current uncertainty on DSO coordination and delivery. This approach should encourage the ESO and its stakeholders to stress-test the merits of coordination options. It would also provide a more adaptable and flexible model that might be required given the pace of change to adapt to system architecture required to deliver net zero.

Whole system approaches will be key to unlock best value for consumers in the transition. We have outlined further below some detailed aspects regarding our views on whole systems. In summary, we believe that the ESO should play a role in ensuring whole systems thinking is achieved for the ESO, transmission, and distribution systems, via its coordinating functions in code governance and operations, charging regimes, forecasting, network development, efficient connections, and in market operations including tendering, contracting, and dispatch.

1. The ESO's principles to enable the DSO transition.

- Do you support our proposed principles and approach to the DSO transition?

We welcome the development of principles and an approach for DSO by the ESO to assist in ensuring effective coordination for the necessary activities for the new energy system and between the ESO and the electricity distribution level. We are aware that the Distribution Network Operators (DNOs) have also been discussing with ESO how best to interact and

coordinate the energy system and that the DNOs have published their respective DSO strategies which lay down their intentions to work effectively with the ESO and each other.

We believe that the ESO is well-placed to provide support to the development of a better coordinated energy system given its long-standing experience in contracting and managing flexibility resources, in forecasting, and in planning for network development. The continued participation by the ESO in the ENA Open Networks project is vital. The project provides joined-up thinking and wide stakeholder engagement in the DSO transition for both ESO and DSO functions, and where they interact. The value of the Open Networks project in reaching out to potentially impacted stakeholders is evident to ensure that changes are only incorporated with full impacts considered, whether in market development, operational aspects, or in further network development.

Additional stakeholder input via the ESO and DNOs will be needed to ensure appropriate views are captured to further develop the principles and vision. This engagement may be through consultations such as this, but also through network companies' existing stakeholder engagement processes for strategies and business plans, and ongoing processes. **We recommend that the principles and vision include a focus upon stakeholder engagement and explain the mechanisms that will be used to ensure stakeholder views are fully taken into account.**

2. Our proposed 2025 vision.

- Do you agree with our proposed high level vision?
- Do you have any comments on our proposed high level vision?
- Do you believe that there are any further coordinating functions between ESO and DSO that we should be considering?
- Do you have any comments on the draft vision for each of the 10 coordinating functions as described in Annex 1?
- What additional activities do you believe the ESO needs to undertake to facilitate our 2025 vision?

The 2025 vision shows the ESO's current thinking about the different roles and activities that will be needed for the DSO transition. Many of these roles are evolving, for example, through the recent issuance of the [RIIO-ED2 Business Plan Guidance Appendix 4 DSO roles and activities](#) which lays down required DSO functions. The ED2 DSO roles and activities overarching categories are reflected within the 3 areas laid down in the 2025 vision. As these DSO functions develop through the coming years (in ED1 period and into ED2), it will be necessary to revise the vision on an ongoing basis to ensure that new functions and requirements are captured. There may also be development and clarity in the allocation of roles and activities between different

bodies and companies (between ESO, DSO, transmission companies and others) which will necessitate revision of the ESO principles and the 2025 vision. The Ofgem Significant Code Review of Forward Looking and Access charges is another area likely to have implications in the DSO transition and for various impacted network companies. As we noted in our overview comments, **we would recommend an approach that would look at options for differing levels of cooperation and integration and their consumer benefits. We would recommend that the ESO uses an iterative and transparent scheduled process to ensure incorporation of new requirements or developments.**

As an example of newer requirements, there is a new obligation by DNOs in the ED2 Business Plan Guidance (page 78) to consider the promotion of energy efficiency as a DSO activity:

“DNOs should consider flexibility and promoting energy efficiency in addition to innovative use of existing network assets and traditional reinforcement”.

Energy efficiency consideration is also incorporated as a [new DNO licence obligation at 31E.1d](#) “where such services cost-effectively alleviate the need to upgrade or replace electricity capacity and support the efficient and secure operation of the Distribution System”.

The current 2025 vision does not appear to incorporate energy efficiency and we would recommend that consideration is given to this aspect. **We have advocated for the ENA Open Networks project to set up an energy efficiency workstream** in addition to the existing flexibility workstream to address this new requirement and **we would ask that the ESO supports this request. We also recommend that the ESO considers its own role with the DSOs regarding energy efficiency which may necessitate a revised 2025 vision.**

In addition to ESO/DSO boundary considerations, there will also be DSO/DSO boundary activities that will require appropriate coordination. It may be that the DNOs will be best placed to undertake the DSO/DSO boundary management, however, the ESO may be well-placed to support or to undertake this role on behalf of the DNOs. **We therefore recommend that the ESO considers its potential role within DSO/DSO boundary management.**

There are potential unintended consequences that could happen in the development of ESO and DSO transition activities. There is an ENA Open Networks workstream to consider the effects of certain groups (e.g. people in vulnerable circumstances) or unintended market or other consequences. We note that the Network access planning and Service dispatch visions (at pages 19 and 26) consider conflict management, however, we believe that this is too narrow a focus with respect to wider DSO transition implications. **We would recommend that aspects relating to conflict management, unintended consequences, and consideration of those in**

vulnerable circumstances have a continued and higher focus within the Open Networks project and also that they should be reflected within the 2025 vision. While some of these aspects may affect the distribution level more than the ESO level operations, unintended consequences in market development, for instance, may have impacts at both ESO and DSO levels.

We welcome the focus upon code governance and **support the aim for the ESO and DSOs to work together to model whole system impacts on code modifications** which we understand can be a highly complex area. We are aware through our membership of various code bodies that we often see unintended consequences from proposed modifications and **cross-code working would be beneficial to identify and alleviate such unintended consequences. We also welcome rationalisation and simplification of the Grid and Distribution codes** to aid in this process and to ensure better coordination between the various electricity level operations.

As mentioned with respect to code governance and modification, we believe that whole systems modeling will be needed to fully understand the consumer benefits that could accrue from coordinated thinking across different sectors beyond electricity. Identifying these whole system benefits and identifying the right parties to deliver such benefits is a complex area. We believe that the ESO, in coordination with the DSOs and transmission companies, will have a role to play in capturing the benefits and working out which body or bodies may best be used to effect them. We note that whole systems considerations are covered within the System development (Network Development Process) on page 14 of the consultation document, however **we believe that an overarching whole systems aim should be part of the 2025 vision which does not appear to be currently reflected in the vision elements** as detailed at Figure 1 on page 6 of the [consultation document](#).

We understand that the ENA Open Networks project workstream on whole systems (with its CBA on whole systems) is currently establishing governance to ensure appropriate stakeholder input and this may be a suitable avenue to capture stakeholder views. Alternatively, or in addition, the Future Energy Scenarios and Distribution Future Energy Scenarios processes and the more formal ESO, DNO, and transmission company consultations on their respective DSO and whole systems strategies may be suitable to gather input. These views and ideas will need to be evaluated and incorporated into implementable plans across the ESO, transmission companies, and at the distribution level to gain best value for consumers. **The ESO may be well-placed to help in coordinating whole systems thinking, considering innovation projects, and aiding in implementation. A clearer outline of the intended process to achieve effective whole systems thinking across the ESO and various network companies would be valuable to ensure that consumer benefits are captured in full.**

In considering whole system thinking, we note that the ESO has started to outline why further optimisation of whole system operation will be required and how it will be supported by an effective interface between transmission and distribution. We note the following important aspects to consider, including (but not limited to): greater availability of data in common formats; aligned charging methodologies to simplify charging arrangements and commercial codes; significant increase in the volume of real time data exchanged between control centres; enabling improved tailoring and dispatch of whole system governance via the Grid Code; harmonisation and simplification of new connections with transmission, and the creation of Network Development Plans (NDPs) to interface distribution and transmission.

3. Proposed next steps

- Do you support our proposed next steps?
- Is there anything more you believe we should be doing to facilitate the DSO transition?

We note that following this consultation, ESO will be providing an update on this work later this year. We welcome this update and the incorporation of the proposals and any revisions within the ESO Business Plan and to help inform DNO ED2 business planning. As previously mentioned, it will be necessary to undertake frequent reviews of the roles and activities and their interaction between the ESO, DNOs, and other parties as the DSO transition develops. The shorter business planning cycle for ESO will facilitate this revision process. The DNOs will also be required to be flexible in updating their Distribution Future Energy Scenarios, and DSO and whole systems strategies in the remaining ED1 period and throughout ED2 years in response to policy, technological and consumer behavioural changes. We believe that the ESO has an important part to play in ensuring that the energy transition works in the best interests of all consumers by supporting the framing, coordination, and delivery of the DSO transition.

Yours faithfully

Caroline Farquhar & Ed Rees

Senior Policy Researchers

Energy Policy