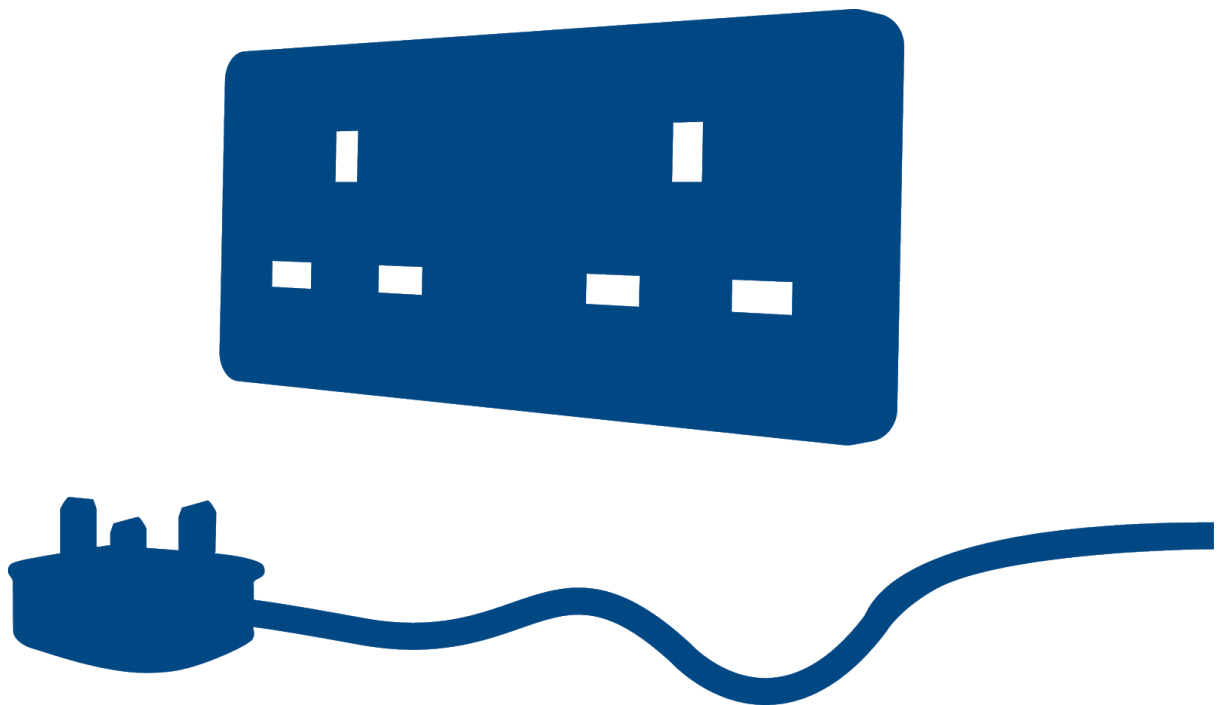


SP Energy Networks FUSION USEF Consultation

Citizens Advice submission
August 2019



Introduction

Citizens Advice welcomes the opportunity to respond to this consultation as part of its statutory role to represent domestic and small business energy consumers in Great Britain (GB). Our response is not confidential and may be freely published.

The Fusion project represents an interesting contribution to the development of the flexibility market and its operations in GB. The practical trials planned for East Fife should provide information to assist in the evolution of this nascent market at the electricity distribution network level.

The underpinnings of the Fusion project are proposed to be the Universal Smart Energy Framework¹, which has been drafted by seven industry participants, and gives recommendations to facilitate an effective flexibility market. In our meetings with SPEN it has become clear that one of the aims of this project is to test the suitability of USEF for application in GB markets.

The USEF has been designed on a 'roles' basis, identifying and allocating roles for each element of the flexibility market. We note that this framework differs in approach from the flexibility market development work of the Energy Networks Association Open Networks project² (ENA Open Networks) where the various functions are considered in terms of the actors that could facilitate the market. In addition, we are aware that the ENA Open Networks project, which is tasked by industry, BEIS and Ofgem, to facilitate the development of the flexibility market, are also engaging with similar consultations and developments within this field.

We note that many of the questions within the Fusion USEF Consultation Document address a number of the same issues being consulted upon or developed by the ENA Open Networks project (e.g. within their July 2019 Flexibility Consultation³). We understand that there is communication with ENA and Ofgem on these issues, but we want to stress that it is vital for consumers that there is consideration of wider policy issues regarding the emerging flexibility market. We believe that these policy considerations must be aligned

¹ [Universal Smart Energy Framework website, www.usef.energy](http://www.usef.energy)

² [Energy Networks Association Open Networks Project webpage, http://www.energynetworks.org/electricity/futures/open-networks-project/](http://www.energynetworks.org/electricity/futures/open-networks-project/)

³ [Energy Networks Association Open Networks project, Flexibility Consultation, July 2019](#)

with the ENA Open Networks project's policy work to ensure that there is not an inadvertent divergence in the progress of the GB flexibility market which may hinder its rapid establishment. As such, we recommend that future Fusion consultations regarding policy issues are very closely coordinated with ENA to ensure that a single, efficient and coherent policy development framework is established for the GB market.

Our response to the August 2019 ENA Open Networks Flexibility Consultation is available at our website for your reference⁴.

Consultation questions

Q1a - Provided appropriate arrangements for wholesale energy and imbalance settlement for affected suppliers are in place, do you agree that aggregators should be able to provide their services in the wholesale markets without a supply licence or an agreement with the supplier of the customer?

We are confused about why this question is being asked, when issues around settlement are governed by the Balancing and Settlement Code and regulated by Ofgem. The consultation does not make it clear why it is appropriate to ask these questions in this context. For instance, issues relating to the future regulatory environment for aggregators and other market participants are currently being consulted upon within the BEIS and Ofgem 'Flexible and responsive energy retail markets' consultation⁵ into which we will be providing input.

We have provided below some comments on this subject, however:

Aggregators: It will be important to consider the range of responsibilities an aggregator may have to its customers. These could include anything from managing and controlling access to electricity use as well as providing monetary

⁴ [Citizens Advice response to the Energy Networks Association Flexibility Consultation, August 2019](#)

⁵ [Ofgem, consultation on 'Flexible and responsive energy retail markets', July 2019. \[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819624/flexible-responsive-energy-retail-markets-consultation.pdf?_ga=2.224117851.1709159217.1566916157-367884282.1566916157\]\(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819624/flexible-responsive-energy-retail-markets-consultation.pdf?_ga=2.224117851.1709159217.1566916157-367884282.1566916157\)](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819624/flexible-responsive-energy-retail-markets-consultation.pdf?_ga=2.224117851.1709159217.1566916157-367884282.1566916157)

incentives. It may also involve complex interactions, such as using consumer owned devices or engaging in long term contracts, with technology included.

In doing so, there needs to be clear contractual terms and conditions, ongoing customer support functions, clear redress mechanisms and consumer protections whether that be for data access or price.

Consumer protection: At the moment there are few consumer protections outside the supplier license conditions and general consumer law, particularly for domestic customers and microbusiness consumers. For an essential service like energy, this is unlikely to be sufficient protection and could risk consumer confidence in this nascent market. To remove the need of a supplier licence, there would need to be an adequate alternative

In the longer term we would support activities-based regulation, which would set requirements based on the function discharged by an entity. This should serve to enable easier access to the market, without overly burdensome regulations.

The current BEIS and Ofgem consultation on 'Flexible and responsive energy retail markets'⁶ outlines potential changes in the regulatory environment to encourage the market while continuing to protect consumers. In particular, aggregators and other market participants, including prosumers, could be regulated only for the specific elements of services which are provided. This modular approach to regulating entities within the flexibility service market is described in more detail within the BEIS and Ofgem consultation (page 25) and included the necessary regulatory changes that would be required to facilitate the modular approach.

Q1b - If yes, a baseline methodology needs to be defined for the ToE in the wholesale markets. Which organisation(s) should take the initiative to design and propose this methodology?

Q2a - Should there be a standardised publication of congestion points and associated connections, flexible assets and active aggregators, which market participants have access to?

⁶ [Ofgem, consultation on 'Flexible and responsive energy retail markets', July 2019.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819624/flexible-responsive-energy-retail-markets-consultation.pdf?_ga=2.224117851.1709159217.1566916157-367884282.1566916157](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819624/flexible-responsive-energy-retail-markets-consultation.pdf?_ga=2.224117851.1709159217.1566916157-367884282.1566916157)

Q2b - If yes, do you think this should be a regulated entity (e.g. operating under licence and regulated by Ofgem)?

A standardised publication of congestion points does appear to be a valuable tool for users, as simplicity and consistency of information and format would be useful to establish. However, recommending one centralised point of information (the Common Reference) operated by a single Common Reference Operator may be premature. While there may be benefits in one resource, at this early point in the development of the flexibility market, it may hamper competition and innovation in developing this system to have only one recommended operator. Permitting rival operators to establish systems but with standardised format may allow for the best elements of simplicity and allowing competition and innovation. In a similar vein, regulating the entity providing the Common Reference could have benefits in setting its functions and enabling effective monitoring of its activities, however, at this point, it may be unnecessary, costly to consumers, and counterproductive to the rapid establishment of the flexibility market to have each (or one) Common Reference Operator be required to be a regulated entity.

The USEF recommends that the Common Reference can only be accessed by appropriately registered participants. There was little justification as to why the Common Reference should be so restricted and further explanation regarding this point would be welcomed. In the interests of transparency, and widening the flexibility market to the greatest number of potential participants, it appears to be an unhelpful restriction to limit the Common Reference database to registered participants and it would be valuable to have further consultation on this aspect. We recommend that development of these concepts is coordinated with the ENA Open Networks project to ensure a consistent framework is established for the flexibility market.

Q3a - Do you agree that there should be a central data hub to record flexibility volumes and transactions to allow consistent settlement of flexibility and create transparency?

Q3b - If yes, do you think this should be a regulated entity (e.g. operating under licence and regulated by Ofgem?)

While a central hub appears a valid solution for the purposes of data collation and transparency, there is a general move away from central hub ideas to access-based solutions. Such solutions are felt to offer cheaper and more secure data systems. In addition, it appears unlikely that there is a need for one single regulated entity to undertake the deployment, validation and settlement of flex services. The market is developing and there may be competition among suppliers to provide the most efficient platform. Recommending one entity at this stage at the distribution level may hamper innovation and competition in the development of a suitable platform.

We appreciate that data is regulated by the Information Commissioner's Office and therefore the legal and regulatory ramifications from setting up any further data-controlling entity may be complex. We believe that investigation should be undertaken to establish whether it is feasible or valuable for Ofgem to be the licensing or regulating body for a data hub organisation. As previously recommended, coordination with the ENA Open Networks project would be appropriate to consider this point further.

Q4a - Would it be beneficial to formalise the responsibilities and the role of the constraint management service provider (CMSP) similarly to the BSP role?

Q4b - If yes, what kind of responsibilities should be defined for the CMSP role?

The flexibility market participation roles and actors are currently evolving as this relatively nascent market continues to develop. It would be beneficial to have the role of the Constraint Management Service Provider and its responsibilities be clarified via the concurrent work undertaken on the flexibility market by the ENA Open Networks project. In this way, the Fusion project and the Open Networks project can work in collaboration, using the industry-wide support of the ENA Open Networks groups to establish consistent and agreed positions.

Q5a - Do you think that there is a need to create transparency on network limitations that restrict the free trade of flexibility services by market participants?

Q5b - If yes, do you think that USEF's Operating Regimes are a feasible solution for this issues.

Q5c - Do you think that clear rules should be defined to regulate when DSOs move from one state to the other?

As referenced within the explanation for Q5, the ENA Open Networks project is also considering the issues relating to market operation in the deployment of flexibility services. It would be helpful if the proposals noted within Q5 could be reviewed in conjunction with the ENA Open Networks project to gain the maximum value from considering all options and having the widest industry and stakeholder response.

Q6a - Do you think that further coordination of flexibility deployment between suppliers/aggregators and the ESO/DSOs is needed to facilitate efficient and reliable flexibility markets?

Q6b - If yes, do you agree that information exchange (i.e. D-programs) between suppliers/aggregators and ESO/DSOs, concerning flexibility contracts and flexibility activations, limited to congested areas, should be mandatory?

See response to Q5.

Q7a - Would you consider that it is beneficial to have a standard interface between (1) flexibility services providers and flexibility platforms; and (2) TSO/DSO platforms and third-party commercial platforms?

Q7b - What could be the possible scope of this standardisation?

The ENA Open Networks project also advocates the theme of simplicity underlying all of the six principles underlying their view of the flexibility market. It would clearly be beneficial to have a standardised interface when sharing data between flexibility service providers, flexibility platforms, TSO/DSO platforms, and third party commercial platforms.

The scope of the standardised interface could be established following appropriate consultation and we recommend ongoing dialogue with the ENA Open Networks project to ensure a comprehensive and coordinated

consultation process on the design and implementation of any standardised interface.

Q8 - Do you agree with USEF's recommendation to allow free bids in a DSO congestion management product, even when DSOs requirements are met by the existing availability contracts?

The flexibility market is currently in an evolving state. The use of free bids, as described in the consultation paper, may hold promise to be able to offer rapid solutions with low costs to DSOs/consumers. However, security of the flexibility service is also a potential issue, as the free bid mechanism appears to increase the risk of failure of delivery of the flexibility service. It may be premature to commit, at this stage, to support the introduction of free bids, without seeing the evidence of how the market operates in practice, and how flexibility services are able to perform. However, we would recommend further consultation on this topic in collaboration with the ENA Open Networks project.

Q9a - Do you agree that a common mechanism for all DSOs and the ESO to procure flexibility and interact with the market would be beneficial?

If yes, would you consider the USEF approach to be suitable for providing this mechanism?

Q9b - If you agree that consistent processes and standardisation would be beneficial, which elements of the flexibility transactions processes should be standardised?

Q9c - Do you consider it beneficial for GB processes to align with European processes for DSO flexibility mechanisms?

Standardisation of data exchange and flexibility service provision should lead to a simpler system, wider entry by participants, speedier coordination of systems, and ultimately lower costs to consumers through reduced IT and development costs. Alignment with European processes may also lower entry barriers for international aggregators and IT solution providers in GB and may be valuable in expanding the flexibility market in GB. We therefore welcome the drive for consistent processes and standardisation and European alignment wherever it is feasible and effective. As stated in the consultation, the processes for DSO flexibility transactions are still under development in GB. Industry and stakeholders are still considering the most effective solutions to design and

implement such systems. It would be recommended, therefore, for the Fusion project to work closely with the ENA Open Networks project and its stakeholder groups to assess whether the USEF would be a suitable framework to plan and manage these systems.

Q10a - Do you consider that aggregators should have balance responsibility for the flexibility they operate in all flexibility markets and products?

If not, which products may deviate from this principle?

Q10b - Do you agree that the open supply position of the supplier should be corrected through defined mechanisms?

The roles and responsibilities of the various flexibility market participants are under development and contractual arrangements and boundaries are similarly being defined. The ENA Open Networks project is considering or shortly to consider commercial arrangements, dispatch and settlement processes, and conflict management and co-optimisation, within its continuing Workstream 1A Development. To reach the widest stakeholder engagement on the topic of aggregators' balance responsibility, we believe it would be suitable to engage with this ENA Open Networks Workstream and have these aspects of the flexibility market addressed across the wider ENA Open Networks Advisory Group, stakeholder forums, and ENA Open Networks consultation mechanisms.

Q11 - Who should be responsible for the re-dispatch in a DSO congestion managed product? Please select among the options, a, b, c, d, e, none of the above.

See also answer to Q10. We believe that this topic would be better addressed through wider consultation via the ENA Open Networks project.

Q12a - Do you agree that dynamic pooling in flexibility services should be supported?

Q12b - If yes, please indicate products and services where dynamic pooling should be possible (i.e. balancing, congestion management, wholesale, capacity market).

Dynamic pooling appears to offer benefits to aggregators to maximise revenue opportunities from the use of their assets. However, there may be risks to those with whom the aggregator has contracted, if the contracted service is not provided when needed as the aggregator has preferred to offer services to another at that time. It may be premature to recommend such a product offering given the nascent nature of the market and the inability to assess the risks within dynamic pooling. It may be preferable to await further developments and experience of the flexibility market and revisit this question at a later date. We would recommend coordination with the ENA Open Networks project to assess the suitability of dynamic pooling in due course.

Q13a - Should sub-metering be allowed in all markets and products, including wholesale market and DSO constraint management service?

If not, please indicate products and services where sub-metering should be possible and cost-effective.

Q13b - In the case of independent aggregation, should sub-metering also be used as input for the quantification of the Transfer of Energy, which in turn, will impact wholesale settlement?

Q13c - Who should be responsible for the validation of sub-metering data?

We are aware that Elexon has proposed a solution regarding meter splitting which is currently being progressed through the Balancing and Settlement Code modification process⁷. We would recommend that this topic on sub-metering is addressed in coordination with the ENA Open Networks project to ensure a wide stakeholder response and to ensure that the Fusion and the Open Networks projects move in synchronisation and arrive at the same industry-wide accepted decision.

Q14a - Is the publication of congestion points using connection identifiers in line with GDPR requirements on security and privacy?

If this refers to MxPNs, these are considered personal data so could not be published. These should not be published with any associated usage data.

⁷ [Elexon, P379, 'Multiple Suppliers Through Meter Splitting, https://www.elexon.co.uk/mod-proposal/p379/](https://www.elexon.co.uk/mod-proposal/p379/)

Q14b - If not, what alternative can be used to capture locational information of congestion points and their associated substations (postcodes, GPS coordinates, streets, etc.)

Some network data plans have agreed to aggregate data. It would be useful to follow the approach already established here (Western Power Distribution's plan has been signed off by Ofgem).

See the answer for Q13. As with Q13, we believe that these questions are best answered in coordination with wider stakeholder engagement with the ENA Open Networks project.

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