By e-mail to opennetworks@energynetworks.org

23 February 2018

Dear Open Networks,

Consultation on Phase 2 Work Programme

Thank you for the opportunity to comment on the 2018 forward work plan for the Open Networks project. We are excited to continue working with you through this year as Distribution System Operator (DSO) functions begin trials and the regulatory and market frameworks evolve.

As you are aware, ELEXON is the code administrator for the Balancing and Settlement Code (BSC). We are responsible for managing and delivering the end-to-end services set out in the BSC. This includes responsibility for the delivery of balancing and imbalance settlement. We also undertake the settlement activities for Contracts for Difference and the Capacity Market on behalf of LCCC/ESC.
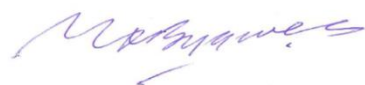
As DSO projects develop we would like to open discussions on providing governance and market operation services to regional DSO markets. We believe that combining DSO knowledge and experience of distribution networks with our own on developing and operating fair, robust market frameworks would achieve the best outcomes for consumers and industry parties.

We would also like to use this opportunity to reiterate the importance of a single set of arrangements for DSOs, particularly where there are significant interactions with the rest of the industry. We believe this will improve competition, ensure the future market arrangements are simple, fair and easy to understand across the whole market, and also reduce the costs of implementation and administration, so benefitting industry and consumers.

As the interactions between DSO transition and central arrangements, such as the BSC, become clearer, we believe it is increasingly important to maintain our engagement with the Open Networks project. We look forward to providing our continued support to the project, both directly to the project and in discussion about specific interactions and how we can help facilitate progress.

The views expressed in this response are those of ELEXON Ltd, and do not seek to represent those of the BSC Panel or Parties to the BSC.

Yours sincerely,

Mark Bygraves

CEO, ELEXON

List of enclosures

Appendix 1 – Responses to consultation questions for Open Networks Project Phase 2 Work Programme

APPENDIX 1 - RESPONSES TO CONSULTATION QUESTIONS FOR OPEN NETWORKS PROJECT PHASE 2 WORK PROGRAMME

Q1. Which specific areas of 2018 work or "Products" are most important to you and why?

Products	Reasoning
Work Stream 1	
Distributed Energy Resource (DER) Services procurement	The nature of DER procurement means that there is significant potential for interactions with the balancing and settlement arrangements at a national level. We are looking forward to engaging further (including via other Open Networks products) to determine the nature of these interactions, but much will depend on the end to end process developed under this product.
Industry Framework Interactions	We are committed to ensuring the BSC enables innovations (and the benefits they bring), and we believe that DSO transition is a crucial market development to facilitate more innovative approaches in the energy system. We are ready to work with the Open Networks project to assess required BSC changes and provide solutions in the BSC to facilitate better outcomes for the system and the market.
	We offer our expertise to design and facilitate new BSC Modifications to ensure a smooth implementation of balancing and settlement arrangements for DSO functions.
System wide resource register	We believe that availability of data (subject to data privacy requirements) should be a key consideration when building the future energy market. While we are working with Ofgem on meeting General Data Protection Regulation requirements as part of our market-wide Half-Hourly Settlement design work, we are interested to see how industry data provision can be improved more widely.
Work Stream 3	
Smart Grid Architecture Model (SGAM) Modelling of DSOs and DER Procurement	Many aspects of the Open Network Project's interactions with the BSC will be determined by the market model. For example, a need for settlement was identified in all models, but the nature of that settlement and the way it would interact with the national arrangements could vary depending on the model chosen. It is particularly important that the modelling aspects pick up these interactions at an early stage, to ensure that collectively we can ensure that services are in place and we can deliver a smooth transition to future arrangements.
	We believe that the most efficient outcome for networks, industry and consumers would be a single model utilised by all DSOs. We have previously

	highlighted that it might be desirable and/or necessary to migrate between models in the future, but this too should be consistent across all DSOs. Of particular relevance to the BSC is a single interface with national arrangements, rather than having to accommodate a different approach for each DSO. While possible, this would lead to additional unnecessary costs for consumers and have negative impacts on competition.
Further SGAM Modelling of DSO Functionality	As above
DSO Model Validation & Review	As this appears to be the last opportunity to provide input into the SGAM Modelling ahead of DSO Model decision making, we are particularly interested in this product and look forward to contributing.
Key enablers for DSO	Given the necessary regulatory, market arrangements and IS changes will impact on the BSC, we are interested in the identification of DSO enablers. We are keen to support the DSO transition and to be an enabler where possible and appropriate. Given our position in the market and our expertise in market design and operation we hope we can add value throughout the DSO transition process. Again, we believe a key enabler of the markets will be a common framework, and we would like to work with DSOs to build a robust set of market enabling arrangements.
Preferred DSO Models & Proposed Implementation Plan	The preferred DSO Model will ultimately dictate what the DSO function looks like for the foreseeable future, and is therefore of great interest to us. As mentioned above, this could affect the nature of balancing and settlement so we will be looking to participate on an ongoing basis.

Q2. Are there any other areas of work or "Products" you would like to see included in the Open Networks Phase 2 workplan and if yes, why and how should they be prioritised compared with other work?

No

Q3. Should any areas of work or "Products" be removed or deferred and if yes, why?

No

Q4. Do you agree with the proposed "Products" for wider consultation and what other work should be consulted on and why?

The Preferred DSO Models and Proposed Implementation Plan should be consulted on more widely, to ensure that the Model settled on not only delivers for DSOs, but importantly for the market participants who will be delivering services to the DSOs. It must also recognise the interactions with

other market participants such as suppliers, generators, aggregators and their customers and ensure a common approach across DSOs. This could be achieved through Ofgem consultation during the decision making process, therefore consultation through the ENA ON project may not be necessary, but it is important that these decisions are not taken without external input. Alternatively, input could be gathered during the DSO Model Validation and Review period although it should be made clear at the time whether that is the opportunity to provide input for decision making.

Q5. Have you any feedback on the proposed timescales for delivery and consultation through Phase 2?

Further SGAM modelling of developing DSO functionality overlaps with the period of time for deciding on a preferred DSO Model, although we note that the majority of the modelling occurs before the decision-making period and therefore we trust there will be complete information for the decision making progress.

We also note that the timescales for development of DSO Models appear to end before the consultation on DSO Models is published. We suggest that time is built into the plan to adjust SGAM Modelling following that consultation.

Q6. How would you like to provide input to the Open Networks Project and be kept informed of developments?

We already participate in the Open Networks Project through the Advisory Group and working groups. We aim to continue providing input in this way, in addition to responding to consultations. Beyond this, we hope we can start a dialogue with the Open Networks Project and DNOs to start addressing BSC changes and interactions. We believe ELEXON can be of even greater value to the programme, by working with DSOs to develop a common framework for DSO markets. By building on existing frameworks and our unique expertise in the end to end design, governance and operation of such solutions, we believe we can drive efficient outcomes for DNOs, our customers and end consumers.