

# BP2 Consultation FDF Webinar

Question and answer document  
26 May 2022



## Flexibility markets

**Q. Which of your existing (or future) balancing markets/products do you expect to be most suited to participation from DER?**

A. We're looking to ensure that our markets and products are accessible to all participants whether they are connected at distribution or transmission level. Our work on operational metering and Power Responsive will help us understand what capabilities exist with these units. We are working to discover what we need to do to help DER service providers to enter service markets.

**Q. Will the ESO's work on the Single Market Platform ever look at integration of DSO flex products in the future? Is there an appetite from the ESO for this?**

A. As with many of the initiatives we're referencing at this webinar, there is an ambition from the ESO to optimise and make the solutions efficient across both ESO and DSO markets. The Single Markets Platform team are already engaged with DNOs on this and want to engage with all DNOs where possible. We believe solutions designed for ESO markets are likely applicable to DSO markets, so we want to create efficiencies/synergies here where possible.

**Q. How does National Grid ESO see its current work on flexibility interacting with separate proposals for locational pricing (and the evolution to DSOs)?**

A. Our Net Zero Market Reform project is unique from an ESO perspective as it is looking at holistic market reform exploring how GB energy markets need to be reformed on the journey to net zero. Our first piece of work has looked at the operational aspect of market design. We've looked at the location granularity of wholesale price. Our initial conclusion from this work is that nodal pricing is the most efficient model for net zero. Our next phase of work will look at flexibility elements and understand what nodal pricing will have on different stakeholder cohorts such as DNOs and DERs. We've been working to understand how this impacts market participants who want to contribute such as DERs.

## Metering

**Q. Who owns these operational meters, ESO, TO, DNO, or DER? What would be communication channels, internet?**

A. The ownership of operational meters depends on the use case. The focus of our work to facilitate market entry is on customer owned meters. With commercial markets such as the balancing services and ancillary services, customer and market providers are required to have meters of a particular standard. Communication channels into the balancing market include systems such as Electronic Data Logging (EDL) and Electronic Data Transfer (EDT) and increasingly over the internet through APIs.

Other use cases require real time data from DER who aren't market participants. This utilises operational monitoring equipment installed by DNOs and dedicated data links between ESO and DSO control centres.

**Q. How do you rollout the operational metering standard across all markets to enable DER to participate in all or any markets e.g. DSO flexibility market?**

A. This is one of the objectives of the Power Responsive working group. We recognise that standards need to change, and we want to work with stakeholders to reinterpret metering standards, so they are proportionate to all forms of generation and demands. This will ensure we develop new standards in a way that's fair, proportional and doesn't create unnecessary costs and barriers for potential providers.

Referring the DSO flex markets, an ambition of this work is to understand where there are commonalities between DSO and ESO markets, in terms of product specifications. If there are

similarities between products and the rationale, then we are aiming to minimise the amount of hardware that providers need to install. This should result in lower costs reducing barriers to these markets.

## IT and Control Room

### Q. When is it going to become quicker to get new BMUs into the NGENSO systems?

A. We're assuming this relates to the BM registration process – there are several milestones in the process, one of which is the update of our CNI systems which has a 2-month timeline – we are looking to shorten this next year. Please reach out if you feel there are other blockers we should be prioritising.

### Q. With Ofgem's review of DNOs/DSOs, new organisation(s) may take on network planning and operations. Is your IT integration with DNOs accounting for this?

A. Recently Ofgem published a call for input on the future of local energy institutions and governance, where they asked stakeholders a range of questions including the future arrangements of DSO and DNOs. This is at an early stage of the process with a wide range of options currently on the table. From an ESO perspective, we've been working closely with the DNOs during the development of their ED2 Business Plans (beginning in 2023). We also published a consultation regarding our approach to DSO last year (2021)<sup>1</sup>, feedback from this consultation and subsequent engagement with DNOs have informed the proposals presented at this webinar and within BP2.

### Q. When will you progress allowing smaller units to be aggregated by GSP as is allowed if you are a Virtual Lead Party?

A. As we introduce new services into the market, we have been engaging with industry to remove barriers to entry and improve the liquidity of our markets. Following discussions with industry, we made the decision to re-instate aggregation at GSP Group as soon as possible for Dynamic Containment, with Dynamic Regulation and Dynamic Moderation launching with aggregation at GSP Group. Further details on the considerations we considered in making this decision can be found here: <https://www.nationalgrideso.com/document/234901/download>

We continue to facilitate competition in our markets and will apply aggregation at GSP Group for our other new services that are being developed. Removing other barriers for aggregated assets is also ongoing, such as the Power Responsive Working Group which is conducting a review into operational metering standards in the Balancing Mechanism and ensuring that they are applied proportionately for small-scale assets within aggregated portfolios.

### Q. How can the market be sure that the control room will be giving a fair consideration of multiple small DERs? Will IT changes be sufficient to provide comfort?

A. We do have an obligation to balance the system as economically as possible, taking in to account system issues. We publish data on our dispatch transparency actions and publish reports on our data portal to explain why we've taking actions which may not seem to align with the strict energy balancing order due to physical restrictions on the system. We do recognise our current IT system are legacy systems, which are designed for a past world of fewer larger generators. New IT systems in development will account for a future world with millions of distributed energy resources.

## Future technologies

### Q. During the BP2 period (April 2023 - 2025), are you investigating the flexibility potential of heat demand products such as heat pumps and thermal storage?

A. Instead of focusing on technologies, we're focusing on the system need and trying to be as technology agnostic as possible. We welcome all providers whether it's new forms of storage or heat

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<sup>1</sup> <https://www.nationalgrideso.com/document/190271/download>

pumps. We're really interested in what are the potential blockers for market entry on those providers. Instead of creating a product that may or may not work for the sector we want to understand ahead of that position, what the capability of the that technology is so we can future proof our products and services.

## Primacy Rules

### **Q. Can you give an initial position on how Primacy rules should work between ESO and DSOs?**

A. Primacy rules are the set of rules which are being developed to ensure there is service coordination between distribution need and transmission needs. This is particularly important with DER which could be utilised for both, so primacy rules will make sure that an action at one level doesn't get countered by another level and cause DSO/ESO operational problems.

A key requirement for primacy is the need for transparency. We need to make sure these rules are set out transparently for stakeholders.

### **Q. Do you ever foresee ESO & DSO flex dispatches conflicting? I.e., a battery contracted under both services asked to charge-up by one and discharge by the other?**

A. The work on primacy rules will manage this service conflict. We're looking at putting the first systems in place later this year as part of our Regional Development Programmes. In these programmes we're coordinating thermal congestion management services with partner DNOs, WPD and UKPN. We're hoping the initial primacy rules in our project with WPD will be tested later this calendar year. This will be a world first and will inform the Open Networks project where these rules will be developed.

### **Q. How does the position paper link with Ofgem's Next steps on visibility of distributed generation connected to the GB distribution networks published 26 Feb 21?**

A. We believe that our position paper aligns with Ofgem's work on the visibility of distributed generation<sup>2</sup> and the ensuing work in Open Networks on DER visibility. Further our CBA has been completed in co-ordination with comparable work with the Open Networks project.

### **Q. Where can we find out more info on this RDP coordination?**

A. There are a few places where you can find this. We published an update paper on our progress on our RDPs (March 2022)<sup>3</sup>. You can find a report published by Open Networks on their website<sup>4</sup> around the work that's been done already on primacy rules.

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<sup>2</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/next\\_steps\\_on\\_the\\_visibilty\\_of\\_dg.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/02/next_steps_on_the_visibilty_of_dg.pdf)

<sup>3</sup> <https://www.nationalgrideso.com/document/248186/download>

<sup>4</sup> [on22-ws1a-p5-primacy-draft-rules-increment-1-\(28-apr-2022\).pdf \(energynetworks.org\)](https://www.energynetworks.org/on22-ws1a-p5-primacy-draft-rules-increment-1-(28-apr-2022).pdf)