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Alex Walmsley, Senior Manager
Ofgem, 10 South Colonnade,
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Key enablers for DSO programme of work and the Long Term Development Statement

7 February 2020

Dear Alex Walmsley,

Thank you for the opportunity to respond to Ofgem's consultation on the *Key enablers for DSO programme of work and the Long Term Development Statement*.

About Piclo

Piclo develops software to make electricity grids smart, flexible and sustainable. Piclo is playing an integral role in supporting electricity networks' to better access and value flexibility resources, integrating low carbon technologies and reducing long-term network infrastructure costs for consumers. Piclo has been deeply involved with the UK energy transition across networks, generation and retail over the past 6 years.

We operate Piclo Flex, a pan-UK flexibility marketplace, and our clients include UK Power Networks, Scottish and Southern Electricity Networks, Western Power Distribution and SP Energy Networks. We have more than 250 registered flexibility providers (including independent aggregators, licensed electricity suppliers, generators, battery operators and I&C customers) who have uploaded more than 6.5GW of distributed flexible assets to the platform.

We are continuing to shape the development of flexibility markets through two further government-funded projects. We are a partner in Project LEO, an Industrial Strategy Challenge Funded PFER project running from April 2019 - March 2022, led by Scottish and Southern Electricity Networks, and joint funded by Project TRANSITION. We are also one of the winners of the BEIS Flex Exchange competition, a project running between June 2019 - March 2021. This ambitious project is being developed in collaboration with all 6 UK DNOs, National Grid ESO and with the involvement of the flex provider community.

In these two innovation projects and through the continued rollout of our commercial platform in the UK and beyond, we will gather many learnings that can feed into the ongoing discussion around both DSO principles and RIIO-2 incentives. We will continue to keep a communication channel open to Ofgem and other industry stakeholders to ensure learnings are shared across as wide an audience as possible.

Importance of transparency as a DSO enabler

We agree with Ofgem commitment that flexibility providers should have improved access to information about network and system needs, which better allows them to offer the right services and will help grow the distributed flexibility market and will help support new innovative providers to use the data to support the marketplace.

We will not comment on specific questions regarding which information should be published by DNOs within the LTDS, but we welcome Ofgem's ambition to collate and share 11kV data. In particular the value in creating a framework for data sharing in advance of the availability of the full set of data for 11kV networks, including DG and demand-side response (DSR). We would encourage Ofgem to require DNOs to release as much information as is practical to enable these market benefits to arise.

Flexibility dispatch and control enablers

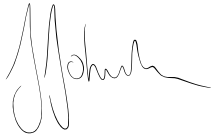
We welcome Ofgem's efforts to understand the competitive impact of DNO-controlled ANMs providing flexibility services. It is important that whichever approach is taken, the market framework is and is perceived to be fair and transparent for all market participants. If there are questions about the fairness of procurement and dispatch decisions then it creates significant risks for the successful creation of the DSO flexibility marketplace. If flexibility providers do not think they will be treated on a level playing field in the marketplace, they are less likely to participate, reducing market liquidity and increasing flexibility costs for consumers.

However, the use of DNO-owned ANMs do not, on their own, harm fair competition in the provision of DSO flexibility services. Instead, it is vital that whoever participates in DSO flexibility markets is treated in an equal, transparent and fair manner, through independently-operated markets. This would include a fair and transparent pricing methodology for ANMs so that they bid into flexibility marketplaces at a cost-reflective manner. Alongside neutrally-managed procurement and dispatch decisionmaking, there would need to appropriate ring fencing of technical and commercial operations between ANMs and flexibility procurement/dispatch. Similarly, all relevant commercial and technical network data would need to be shared equally and transparently with the full marketplace.

Even under these conditions, however, there remains a risk that if ANMs operate at sufficient scale they will crowd out competition and reduce the size of the available marketplace, discouraging independent flexibility providers from building business models that enable them to contribute to system flexibility. Therefore, if DNO-owned ANMs are allowed to participate Ofgem would need to be careful monitoring to ensure they do not have sufficient share of the flexibility market to crowd out an effective competitive marketplace.

Thank you for the opportunity to respond.

Yours sincerely,



James Johnston
CEO and Cofounder
Piclo