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NIA Project Registration and PEA Document

Date of Submission

Jun 2016

Project Reference Number

NIA_WPD_017

Project Registration

Project Title

Entire

Project Reference Number

NIA_WPD_017

Project Licensee(s)

National Grid Electricity Distribution

Project Start

June 2016

Project Duration

2 years and 11 months

Nominated Project Contact(s)

Matthew Watson - Innovation & Low Carbon Networks
Engineer

Project Budget

£1,838,000.00

Summary

DNOs have been running limited scope trials in order to assess the potential of DSR as an enhancement to existing network operations. These have to date not addressed the issue of customer participation in multiple DSR schemes and the need for a service provider that can aggregate and optimise capacity to meet the requirements of multiple schemes (SO, TO, DNO & Supplier) and maximise value to asset owners. If this is not addressed it is unlikely that DNOs will be in a position to recruit participants for the exclusive purpose of constraint management due to higher, or more frequent, income stream from non-DNO sources.

Prior DSR trials have so far been limited in their scope with only small sample groups being engaged to offer quite limited functionality specifically for distribution constraint management. As the name 'Entire' suggests, we will now extend the previously limited scope to fully develop and test the skills, relationships and systems necessary for a DNO to provide a comprehensive DSR capability. We will be doing this in areas within the WPD network that are may be due a significant capital upgrade but where the certainty of immediate need is absent. The project will also demonstrate how DSR can be used to defer capital investment which can sometimes take up to 10 years.

In order to achieve this, the 'Entire' project scope includes;

- Recruit team / place contracts with partners.
- Develop connection policies / DSR contracts / technology and systems to facilitate services.
- Regulatory rules and financial reward structure for developing and operating multifunctional DSR programme.
- Comprehensive knowledge of all legacy embedded generation and its impact on network and updating of asset records.
- Stakeholder engagement and interaction including recruitment of DSR programme participants.
- 'Interaction with' and 'enrolment in' external DSR programmes to optimise commercial Establishing direct relationships with the largest demand customers to understand their usage, flexibility and possible changes. This will be combined with advice around ASC (Approved Supply Capacity) and DSR to reduce their costs and introduce new revenue opportunities.
- Identifying the skills gaps and organisational structure issues that are required to be addressed to operate a commercial DSR programme and ongoing migration to DSO.
- Measuring direct impact of LV connected DSR on 33kV & 132kV infrastructure and establishing financial 'use case'.

- Determination of data required for customer recruitment. This will include an assessment of the benefits (and any confidentiality barriers) from market availability of this data.
- Assess results and report.

Problem Being Solved

With the successful completion of previous trials that have sought to determine the principals of Demand Response and interaction with customers to modify behaviour, Entire will progress the understanding of customers and their operational priorities. The trials have so far been limited in their scope with only small sample groups being engaged to offer quite limited functionality specifically for distribution constraint management. As the name 'Entire' suggests, we will now extend the previously limited scope to fully develop the skills, relationships and systems necessary for a DNO to provide a comprehensive DSR capability.

Method(s)

Building on the successes and the learning achieved during the commercial trials in Project FALCON, this project aims to develop and test a comprehensive DSR Aggregation capability to manage generators and customer loads. Based on our previous small scale interventions using a very manually controlled DSR arrangement it has been proven that DSR can potentially provide a valuable tool in the management of transient or temporary network issues, particularly where the case is uncertain for a large capital investment. We are therefore seeking to develop our understanding and capability of DSR both in terms of advanced systems that would support BaU operation, but also the operational framework that would allow DNOs to participate more widely in DSR schemes operated by other parties, including National Grid. BaU use of DSR is likely to require regulatory approval and new policies from a governance perspective as well as new systems capabilities to operate and manage. Finally, this is not an engineering based solution and therefore skills development in the commercial DSR markets will also feature as a key deliverable.

Scope

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Objective(s)

The trial will identify and address many of the key challenges a DNO is presented with as they develop DSR and other commercial service capabilities within what is a traditional engineering and asset management organisation. In doing so WPD will create a roadmap for WPD's other regions as well as other DNOs to assist development of a commercial service capability and deliver

increased value to their customers.

In order to start this transition, it is necessary to ensure that the data held regarding customers with generation or sufficient volumes of flexibility to affect the network operation, is accurate and comprehensive. It is therefore our intention to carry out a deep audit of customer assets within the trial zones and ensure that they are compliant with the current standards, while taking advantage of this interaction to engage with them to educate and where appropriate recruit for demand side management activity. By carrying out this project we will ensure that the underlying assumptions regarding our networks are correct and that we have increased visibility of dynamic users that will effect operational decisions as we migrate to local system operation.

Consumer Vulnerability Impact Assessment (RIIO-2 Projects Only)

n/a

Success Criteria

NETWORK: Identify, audit and update all generation connected to the 11kV network within the trial zone(s). This should enable the return of any unused export capacity to network planners. Identify all connected generation above 150kW and identify where these may affect dynamic network operation. We will also interact with other WPD initiatives to advise where increased telemetry may be required to monitor active locations in the network and update future forecasting models.

SYSTEMS: Identify, develop and demonstrate new policies, processes and systems that are required in order for WPD to operate standalone DSR services. (monitor, control, meter and settle)

OPERATIONAL: Identify new skills and roles that currently don't exist within the DNO organisational structure and either train existing staff to address gap or create appropriate job specifications for future recruitment.

COMMERCIAL: Develop an economic business model for combined internal and external DSR service provision that demonstrates enhanced value to customers. This will integrate savings with additional opportunities that could generate new incremental revenues from third party DSR schemes and cost avoidance. Broadening the scope of what a DNO can do with DSR we would expect to achieve improved efficiencies for overall GB system operation.

MARKET: Agree a new set of conditions that allow and incentivise DNOs to operate DSR services that not only address internal constraint issues but incentivise the efficient use of these new capabilities to support overall GB System operation requirements. This will enable the use of customer assets to participate in external DSR schemes, including SO balancing services.

KNOWLEDGE: Document and share all key learning that is achieved in order that the results should be replicable across all UK Distribution Networks.

Project Partners and External Funding

The project will be managed internally with the continued support of DSR specialist expertise. These will be provided at a significantly discounted rate by Smart Grid Consultancy who have already successfully delivered projects for WPD and continue to provide essential support for ongoing commercial trials.

In the event that WPD successfully enrol in external DSR programmes that generate income, any profits after operational costs not funded under LCNI will be used to offset the overall cost of the trial.

Potential for New Learning

The proposed trial scope includes many areas of new learning that are of value to DNOs UK wide. These are not limited just within a specific aspect such as the new technology, and is expected to deliver results in the following areas:

- Furthering the work already done to determine the potential of commercial intervention alongside or as an alternative to engineering solutions
- Establishing best practice methodology and new policies relating to engaging customers in active network management.
- Attitudinal analysis and performance assessment of participants within commercial techniques.
- Financial impact assessment of commercial techniques.
- Development of new related policies, processes and systems to support commercial techniques.
- Development and documentation of new systems to enable successful learning to be replicated.

Scale of Project

Five potential constraints have been identified in the East Midlands. DSR will be recruited in the networks to help support the delivery of capacity for peak demand. In the long term up to 150MW of DSR may be required in these target areas.

Technology Readiness at Start

TRL6 Large Scale

Technology Readiness at End

TRL8 Active Commissioning

Geographical Area

We have identified 5 locations in the WPD East Midlands area. This covers the M1/M40 corridor and extends from Coventry to Milton Keynes. For more details please check <https://www.westempowerinnovation.co.uk/Projects/Current-Projects/Project-ENTIRE.aspx>

Revenue Allowed for the RIIO Settlement

None

Indicative Total NIA Project Expenditure

- Planning - £85K; Project design and governance; Supplier engagement ; Network Analysis.
- Build - £786K; Regulatory approvals to enable operational phase to include services to 3rd parties; Remote asset interface, central dispatch; Metering and data collection; Back Office Systems (performance / financial); Customer contact and communication; Policy development; Field engineer 'App' development; Staff Training; Upgrades to WPD stand-by assets for DSR.
- Testing - £50K
- Operate - £842K; Customer payments for DNO constraint actions (£390K); Trial administration; Knowledge Management; Enhanced customer data records.
- Report - £75K; Stakeholder interviews ;Closedown reports; Public dissemination.

Total Project Cost £1,838,000

Partner Funding - £ 365,000

WPD Contribution (10%) - £ 113,500

Participant Payments - £ 338,000

NIA Funding £ 1,021,500

Project Eligibility Assessment Part 1

There are slightly differing requirements for RIIO-1 and RIIO-2 NIA projects. This is noted in each case, with the requirement numbers listed for both where they differ (shown as RIIO-2 / RIIO-1).

Requirement 1

Facilitate the energy system transition and/or benefit consumers in vulnerable situations (Please complete sections 3.1.1 and 3.1.2 for RIIO-2 projects only)

Please answer **at least one** of the following:

How the Project has the potential to facilitate the energy system transition:

n/a

How the Project has potential to benefit consumer in vulnerable situations:

n/a

Requirement 2 / 2b

Has the potential to deliver net benefits to consumers

Project must have the potential to deliver a Solution that delivers a net benefit to consumers of the Gas Transporter and/or Electricity Transmission or Electricity Distribution licensee, as the context requires. This could include delivering a Solution at a lower cost than the most efficient Method currently in use on the GB Gas Transportation System, the Gas Transporter's and/or Electricity Transmission or Electricity Distribution licensee's network, or wider benefits, such as social or environmental.

Please provide an estimate of the saving if the Problem is solved (RIIO-1 projects only)

DSR has multiple use cases and can help defer reinforcement, manage constraints during network build out as well as offering optionality for the DNO. These benefits are only possible if DNOs can offer products that are commercially attractive to participants and that are based on revenue stacking.

Please provide a calculation of the expected benefits the Solution

An example of the possible value to customers is shown for one of the constraints investigated in the project.

In CMZ 1, the provision of a new Super-Grid transformer is being deferred. Based on previous similar installations the base cost for such an installation is approximately £12 million.

Taking a simple example of deferring the associated costs by one year reduces the total NPV to £11.41 million. Running DSR for a year for this scheme was estimated to cost approximately £0.21 million. As such:

Saving = Base cost - method costs

The cost of each year of deferral will depend on the loading of the network and the associated profile. However DSR can provide significant savings for the deferral of high cost reinforcement.

Please provide an estimate of how replicable the Method is across GB

Over the course of LCNF and now LCNI, all DNOs have expressed a great deal of interest in Demand Side Response and most have carried out their own limited scope trials. The project seeks to accelerate the transition to BaU for all DNOs and address many of the issues that arise from the lack of overlap with their existing core competencies.

Please provide an outline of the costs of rolling out the Method across GB.

DR services are highly scalable once the central systems and skills have been developed. Much of the attraction of DSR over engineering solutions is that it offers excellent economies of scale and even has the potential to become a 'profit centre' through diversification to extend the capability for enrollment in external programmes.

Requirement 3 / 1

Involve Research, Development or Demonstration

A RIIO-1 NIA Project must have the potential to have a Direct Impact on a Network Licensee's network or the operations of the System Operator and involve the Research, Development, or Demonstration of at least one of the following (please tick which applies):

- A specific piece of new (i.e. unproven in GB, or where a method has been trialled outside GB the Network Licensee must justify repeating it as part of a project) equipment (including control and communications system software).
- A specific novel arrangement or application of existing licensee equipment (including control and/or communications systems and/or software)
- A specific novel operational practice directly related to the operation of the Network Licensees system
- A specific novel commercial arrangement

RIIO-2 Projects

- A specific piece of new equipment (including monitoring, control and communications systems and software)
- A specific piece of new technology (including analysis and modelling systems or software), in relation to which the Method is unproven
- A new methodology (including the identification of specific new procedures or techniques used to identify, select, process, and analyse information)
- A specific novel arrangement or application of existing gas transportation, electricity transmission or electricity distribution equipment, technology or methodology
- A specific novel operational practice directly related to the operation of the GB Gas Transportation System, electricity transmission or electricity distribution
- A specific novel commercial arrangement

Specific Requirements 4 / 2a

Please explain how the learning that will be generated could be used by the relevant Network Licensees

WPD will develop a clear roadmap that addresses the major issues associated with the development of commercial DSR services. These challenges are very similar across all licensees as the systems and skills necessary do not exist within the core competencies of DNOs. By developing these through LCNI funding it is likely that the result will be an accelerated growth in DR services and reduced overall costs to the consumer by avoiding unnecessary duplication of learning development.

Or, please describe what specific challenge identified in the Network Licensee's innovation strategy that is being addressed by the project (RIIO-1 only)

The commercial techniques aspects of the Tier 2 LCNF Project FALCON were successful and achieved very valuable learning regarding DR. The majority of this learning was positive, creating a clear signal that it should be pursued further but there are still many gaps between trial and BaU despite being the most advanced trial of its type. There is also a broad interest from other DNOs in determining the potential of DR and implementing within their organisations. By undertaking this project WPD can continue to lead the DNO community in development of commercial methods of managing network conditions.

- Has the Potential to Develop Learning That Can be Applied by all Relevant Network Licensees

Is the default IPR position being applied?

- Yes

Project Eligibility Assessment Part 2

Not lead to unnecessary duplication

A Project must not lead to unnecessary duplication of any other Project, including but not limited to IFI, LCNF, NIA, NIC or SIF projects already registered, being carried out or completed.

Please demonstrate below that no unnecessary duplication will occur as a result of the Project.

While there is limited activity by most DNOs in relation to DSR this is largely in the development and proving of use cases for a variety of different purposes. None of these have attempted to detail the challenges associated with creation of an enterprise scale service capability and provision of this to third parties. By doing so under LCNI we would serve to avoid future duplication of effort and by using

experienced industry experts avoid errors already identified from privately funded initiatives out with the regulated business sector.

If applicable, justify why you are undertaking a Project similar to those being carried out by any other Network Licensees.

n/a

Additional Governance And Document Upload

Please identify why the project is innovative and has not been tried before

n/a

Relevant Foreground IPR

n/a

Data Access Details

n/a

Please identify why the Network Licensees will not fund the project as apart of it's business and usual activities

n/a

Please identify why the project can only be undertaken with the support of the NIA, including reference to the specific risks(e.g. commercial, technical, operational or regulatory) associated with the project

n/a

This project has been approved by a senior member of staff

Yes