

The background features a composite image. On the left, there is a perspective view of solar panels under a bright sky. On the right, there is a close-up of a white, multi-tiered, spiral-shaped object, possibly a piece of art or a mechanical part, set against a blurred background of tall grass. A large, white, stylized arrow graphic points from the top left towards the bottom right, partially overlapping the text.

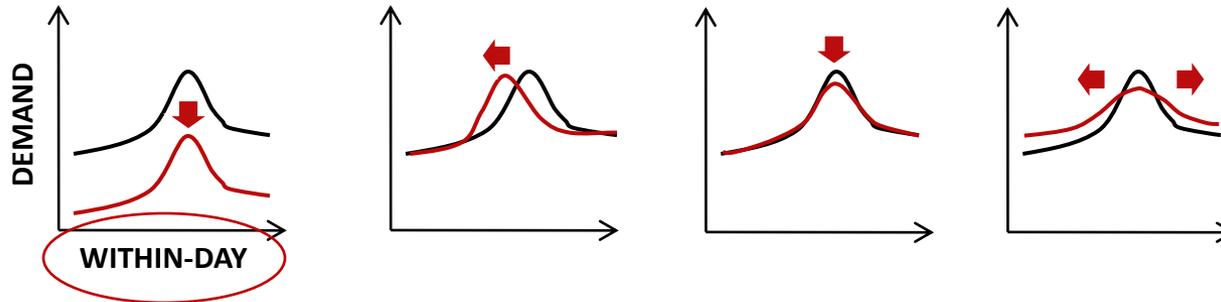
# **Sustainable Development Advisory Group**

**Demand-side response**

**Colin Sausman**

# What is DSR?

*“Changes in energy use by end-use customers in response to a signal.”*



## Why is DSR important?

**10%**



of system costs by  
2050<sup>1</sup>

DSR value takes off

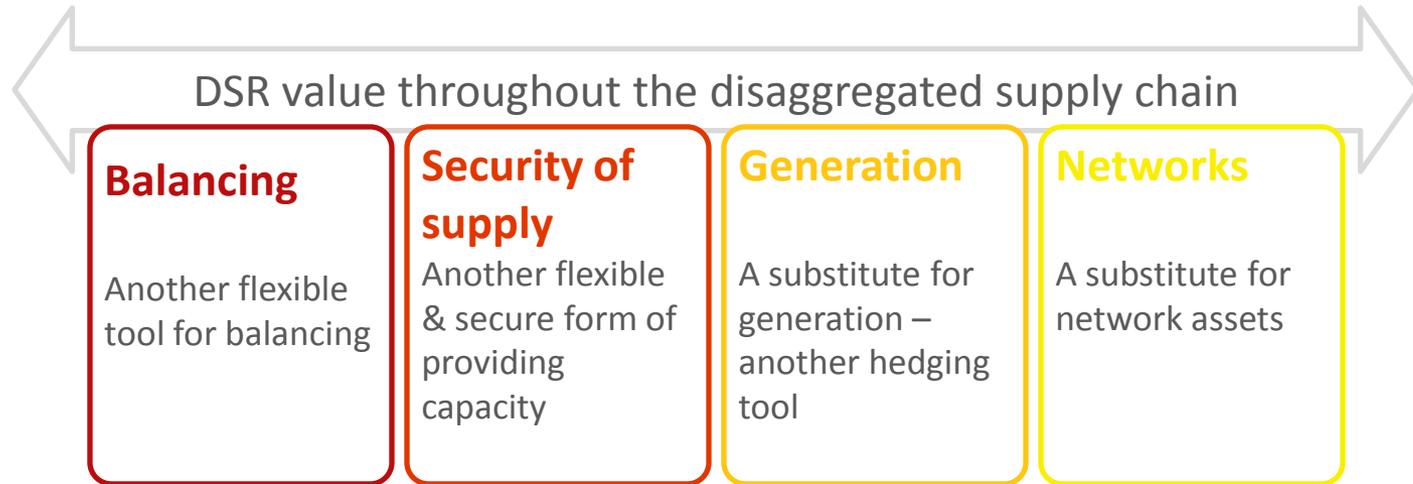
**2020**

onwards

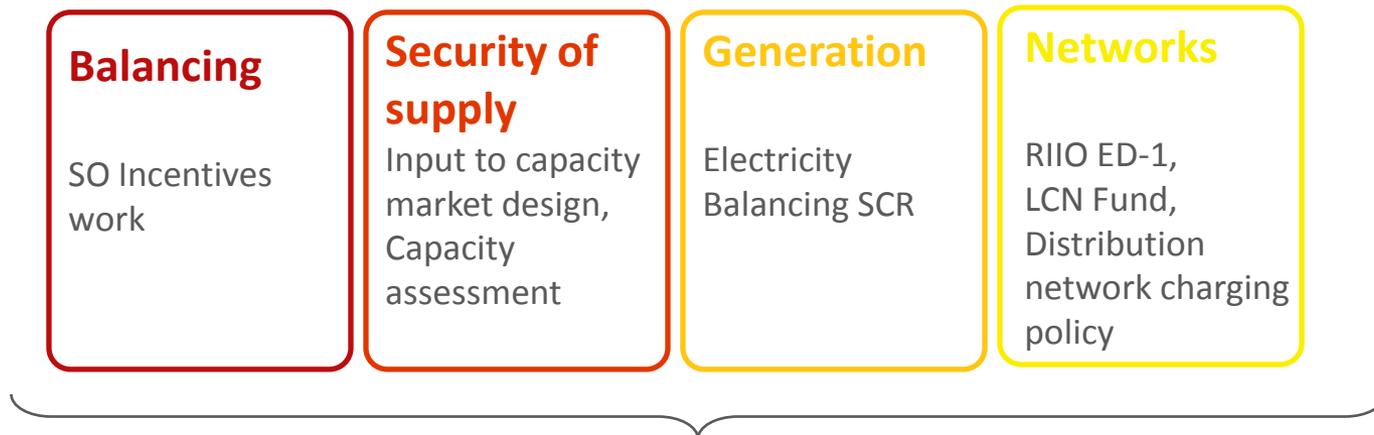
<sup>1</sup> estimate by Pöyry

# What makes DSR different?

Value dispersed across the supply chain



Relevant work dispersed across Ofgem



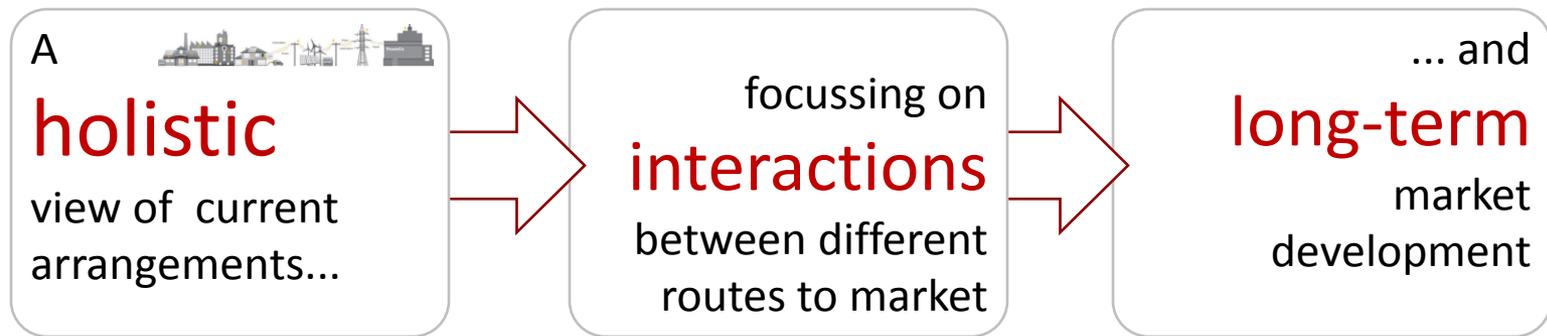
Smarter Markets DSR work

# Smarter Markets DSR work

**OBJECTIVE:** *To create a market environment that supports efficient system-wide use of demand-side response*

**ENGAGEMENT:** *March consultation defining and articulating challenges. Examining policy questions, not developing policy solutions.*

**TARGET OUTCOME:** *Consensus on how current arrangements constrain the development of DSR. A compelling case for change or conclusion that no additional intervention is required*

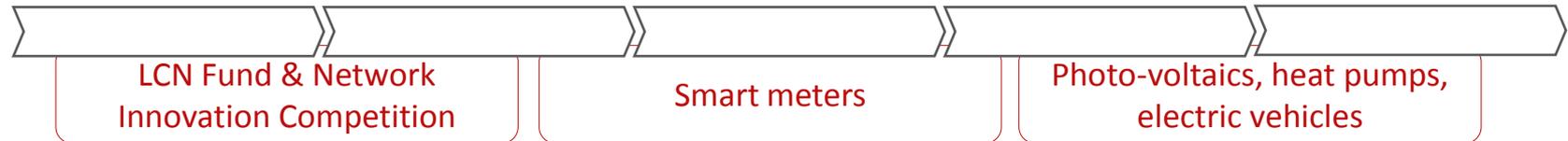


# DSR in RIIO ED1

**OUTPUTS VS. INCENTIVES:** The efficiency incentive (sharing factor) incentivises more efficient behaviour; innovative companies earn a share of resulting saving

- Incentivises e.g. DSR where it can maintain reliability or connect new customers more quickly and at lower cost

## ADDITIONAL INNOVATION INCENTIVES & WIDER DEVELOPMENTS



**ROLE OF THE DNO IS CHANGING:** Leading to evolution of the commercial and market arrangements over time.

**SMART GRIDS ARE DEVELOPING DURING ED1:** from incremental to top-down investment?

# DSR in RIIO ED1 & the LCN Fund

**CURRENTLY** over £120m of customers' money invested in LCN Fund trials exploring DSR

- Learning being produced and feeding into RIIO-ED1

## ED1

- We expect DNOs to utilise learning in their ED1 business plans
- DSR is likely to be useful to DNOs in two ways:
  - To act as a **lower-cost alternative** to accommodate new load or generation
  - To **delay the need to invest** until they have better information and more certainty

**DNOs will choose how they use DSR to help deliver outputs at lower cost**

# Discussion

DSR challenges are system-wide, cutting across many areas within Ofgem's remit and beyond – making joined-up policy making difficult.

**QUESTION:** what are the SDAG's views on ways to navigate this challenge?

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

*ofgem*

Promoting choice and value  
for all gas and electricity customers