



ade

The Association for
Decentralised Energy

Combined Heat & Power
Demand Side Services
Energy Efficiency
Heat Networks

ADE Response | Ofgem 2022/23 Forward Work Programme Consultation | 25 February 2022

Context

The ADE welcomes the opportunity to respond to Ofgem's Consultation on their 2022/23 Forward Work Programme.

The ADE is the UK's leading decentralised energy advocate, focused on creating a more cost effective, low-carbon and user-led energy system. The ADE has more than 140 members active across a range of technologies, including both the providers and the users of energy equipment and services. Our members have particular expertise in demand side energy services including demand response and storage, combined heat and power, heat networks and energy efficiency.

Overall Evaluation

The ADE supports the tenor and areas of focus contained in the Forward Work Programme (FWP). There are a few notes we would like to offer however, especially with regard to flexibility.

We would be happy to further discuss any of the issues highlighted below.

Point 3: Future of Retail

The ADE supports the development and implementation of a reformed retail market strategy. In particular, the flexibility industry could provide vital support to the system in the face of future crises. Therefore, we would welcome the opportunity to consult on the design and implementation of a future-resilient retail market that could aid in this endeavour.

Lack of market signals continue to be a significant barrier to flexibility and thus any retail market reform should explicitly account for the role flexibility will play in the near future.

Point 4: Low Carbon Infrastructure

The ADE supports the planned activities within the Low Carbon Infrastructure Strategic Change Programme. Given its stated objectives however, it would be helpful were further emphasis given to developing a strategic vision for whole system decarbonisation in collaboration with BEIS, NGESO, DSOs, industry, and wider stakeholders. There is a concern that a lack of coordinated vision on this topic negatively impacts market signals and forward investment. In light of the work being undertaken on retail and wholesale market reform, a clearer vision on whole system decarbonisation would be a key enabler in facilitating a more coordinated approach to the transition of GB's network infrastructure for net zero and ensuring efficient investment in the networks, while keeping costs to consumers as low as possible.

Point 5: Full Chain Flexibility

Flexibility is rightly recognised as a crucial element in the Net Zero Strategy and system decarbonisation. However, the vision for flexibility outlined in the FWP is difficult to decipher and in particular there is little attention paid to how a whole sector approach could be devised to include Ofgem, BEIS, NGESO, industry, and other stakeholders.

While continued commitment to flexibility is encouraging, the FWP does not highlight the potential of flexibility in aiding with future energy crises and market volatility despite these being key themes throughout the document. The emphasis on working with government and the ESO on options for market design reforms to ensure that market arrangements are fit for net zero and secure further development of flexibility markets at local levels goes some way to relating

flexibility to current crises but this connection ought to be made explicit and form an integral part of any wholesale/retail market reforms.

Although renewed attention on the SSF is important, no mention is given on its relationship with the FCF Forum, or indeed intentions for that forum moving forward. While cognisant of other prevailing demands in recent times, the lack of communication on the FCF programme has been a persistent concern in industry, with many stakeholders unsure of its concrete objectives and workplan. The ADE would be happy to consult on improvements to this Forum, noting that greater collaboration with the Smart Systems team at BEIS is of the utmost importance.

There is little in the way of offering clear objectives or developing a systematic road map for achieving the deliverables set out in the Smart Systems Flexibility Plan. The ADE considers that identifying the policy, technical and market gaps on route to some of the flexibility goals enumerated both in the SSFP and the FCF Forum's reverse roadmaps is an essential step in identifying a strategic path forward for flexibility as a sector.

Overall, the ADE values the continued focus on FCF but considers that the 2022/23 plan and named objectives seem somewhat nebulous and would benefit from a clearer strategic direction.

Point 6: Data and Digitalisation

The ADE supports the objectives in the Data and Digitalisation Strategic Change Programme. We would only note that in collaborating with BEIS on these issues, emphasis is given to timely communication and collaboration with broader stakeholders.

Point 7: Energy Systems Governance

The ADE appreciates Ofgem's role as contributor in questions of governance. It is, however, important that sufficient consideration is given to potential conflicts of interest that may arise in DSO governance, especially since all DNO RIIO-ED2 business plans envision an expanded role for Active Network Management which has a direct effect on the growth of robust local flexibility markets, another stated goal of the FCF Strategic Change Programme. Likewise, through initiatives such as Project Class for which there is an intention to expand beyond just ENWL, there is an explicit and unanswered problem with DNOs becoming active market participants as opposed to facilitators. The ADE does not support these developments and considers them to directly conflict with the FCF Programme.

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