

Energy Networks Association Response to Regulatory Treatment of Customer Load Active System Services (CLASS) as a Balancing Service in the RIIO-ED2 Price Control Consultation

Introduction

Energy Networks Association (ENA) represents the companies that operate and maintain the gas and electricity networks in the UK and Ireland. Serving over 30 million customers, they are responsible for the transmission and distribution network of 'wires and pipes' that keep our lights on, our homes warm and our businesses running.

ENA and its members welcome this consultation on the regulatory treatment of Customer Load Active System Services (CLASS) in RIIO-ED2 and the clarity on Ofgem's minded-to position. This response sets out a collective high-level view of ENA and its electricity network members on CLASS. Alongside this response, we refer you to individual electricity network company responses for their views on preferences of options, impact assessment and the specific questions posed through this consultation.

If you have any questions on the points raised in this response or would like ENA to provide a further briefing, please contact David Smith, Chief Executive of Energy Networks Association email: david.smith@energynetworks.org

Key messages

- All electricity network companies agree that CLASS is a technically sound, cost competitive and low-carbon solution that is capable of delivering benefits to consumers. CLASS can make use of the natural relationship between voltage and demand to manage demand at peak times, in a way that customer experience with their electricity supply remains the same. By aligning demand to existing network capacity through voltage control, a portfolio of CLASS enabled substations has the potential to make a positive contribution to a Net Zero future.
- As seen in the recent Ofgem and BEIS' response to the FSO consultation, enhancing competition and consumer value will be fundamental in establishing the FSO model. Services such as CLASS could help enhance competition in the balancing services market and deliver value for consumers.
- ENA and its electricity members recognise the benefits and value of CLASS and are cognisant of its potential impact on the market, which has traditionally been dominated by independent flexibility service providers. In light of this, there is a key role for Ofgem to consider and manage this market impact, ensuring that services such as CLASS remain fit for purpose for a Net Zero energy system.

- Several DNOs have not factored the provision of CLASS in their RIIO-ED2 Business Plans. As part of Ofgem’s decision following this consultation in July, ENA and its DNO members would welcome clarity on what additional services could be provided for consideration in the RIIO-ED2 reopener process, as part of the CLASS framework.
- As noted in this consultation, Ofgem’s decision on CLASS does not fully factor in considerations for DSO governance, as this is expected to be a separate piece of work due in Spring 2022. We urge Ofgem to incorporate any decisions on Regulatory treatment of CLASS into this work in an institutional arrangement and clarify their expectations in the context of DSO.