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The Association for  
Decentralised Energy

Combined Heat & Power  
Demand Side Services  
Energy Efficiency  
Heat Networks

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## ADE Response | Ofgem Centralised Strategic Network Plan: Consultation on Stage 1 - modelling future supply and demand | 16 June 2023

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### Context

The ADE welcomes the opportunity to respond to Ofgem Centralised Strategic Network Plan: Consultation on Stage 1 - modelling future supply and demand.

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 150 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

It is positive to see Ofgem recognise that the FES plays an important role in the direction of industry and, in particular, how investment decisions are made over the long term. For example, the FES 2022 contains some extremely interesting modelling on the potential of heat and heat network flexibility which Ofgem will soon be directly involved in when they become responsible for heat network regulation.

As touched upon below, an overarching principle for these changes should be the transparent transition to ESO/FSO adopting an advisory role. Therefore, open consultation and transparency to inform this modelling is of paramount importance. Furthermore, the pathways modelled and areas of focus need to be closely aligned with government and regulator policy.

### Consultation Questions

**Q1. Do you agree that we should move towards pathways instead of scenarios, to provide greater clarity on the type of investments required under the CSNP?**

Yes. The pathway approach, depending on how they develop the branches, could be more valuable than the current approach which perhaps is too extreme in having one scenario driven by technological progress in hydrogen and one driven by consumer behaviour change. However, this should not hamper the freedom of thought and analysis that is currently brought to the FES.

**Q2. Do you agree that there should be a single forward view of the near term for all pathways?**

In theory, we support the notion of a single near-term pathway. However, the ADE and industry have been consistently concerned with ESO's ability to properly reform their own markets and IT systems at pace, a view that was supported in Zuhlke's findings last year. Therefore, if the ESO/FSO are responsible for setting this pathway they are not in an independent position to essentially judge their own capabilities. Therefore, we believe this needs further consultation with industry, and as we have asked for before, a dedicated stakeholder session on the findings of the independent report and the steps, beyond its BP2 appendices, ESO is taking to rectify the problems identified.

**Q3. Do you agree with our proposal to have Net Zero compliant pathways (number to be determined by FSO), with a separate counterfactual demonstrating the scale of activities and investment that falls short?**

Yes.

**Q4. Do you agree that the pathways should run to 2050, and if not, why not?**

Yes.

**Q5. Do you agree that the model should develop the capacity to include extreme data ranges when requested of the FSO in its role as strategic advisory body?**

Yes, subject to the caveats around trust in ESO IT systems above.

**Q6. Do you agree with our consultation position on modelling network constraints?**

This is an interesting proposal but given ESO's public support for locational marginal pricing as the best means to deal with constraint there is a risk that the FES becomes yet another lever ESO uses to advance this view. Although the FES may need to become a more advisory document, as with the move to pathways, we do not believe it should be used as a conduit to advance somewhat controversial changes to electricity markets. Only because ESO has been vocal in advocating for LMP and investing in consultants to advise Government on REMA, we believe a move in this direction for the FES could undermine its credibility for industry.

**Q7. Do you agree with our consultation position, and do you have a view on which data principles should be possible to adopt for the first FES?**

Yes we believe in a strong presumption of open data.

**Q10. Do you agree that regional and/or industrial hub pathways should be included in the FES?**

The proposal to include industrial pathways and not only national and regional pathways is a positive reflection that the FSO's work on industrial demand will be increasingly important, especially on cross vector issues. However, it is crucial that such pathways do not overly focus on industrial hub areas to the detriment of dispersed sites.

**Q11. Do you agree with our proposal for a 'major' FES in the year prior to the main CSNP publication, with smaller annual updates in the intervening years?**

Yes.

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