

Context

The ADE welcomes the opportunity to respond to Ofgem's consultation on the DSO Operations Incentives Metrics.

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 flexibility and storage, industrial energy including combined heat and power, heat networks and energy efficiency.

Summary

We have concerns over how performance against these metrics will continue to be monitored if weighting is given to the performance panel and that evaluation of the metrics should remain extensive if the aims of the DSO incentive are to be achieved. However, we do agree with Ofgem's reasoning behind deciding not to switch on the performance metrics until RIIO-ED3 due to the issues highlighted in the consultation.

Q1 Do you agree with our recommendation not to switch on the Fd turnover performance metric during RIIO-ED2? Please explain why.

While we recognise the lack of historical data and issues with consistency in the methodologies across licensees at the moment, it is highly worrying that the core pillars behind the initial thinking on the DSO incentive has changed so radically. It seems that this in fact confirms what the incentive was trying to overcome. In other words, we do not have a sufficient process for monitoring progress on these three key criteria for the DSO transition. If Ofgem is convinced that they cannot be brought forward for the ED2 period, then we must ensure that the principles behind the metrics can be adjudged by the DSO Performance Panel.

Q2 Do you agree with our recommendation not to switch on the SFT turnover performance metric during RIIO-ED2? Please explain why.

As above.

Q3 Do you agree with our recommendation not to switch on the C&T turnover performance metric during RIIO-ED2? Please explain why.

As above. Furthermore, we still consider this metric of particularly high importance for reducing exclusion of curtailable assets from participating in flexibility. Flexible connection schemes such as Active network management are a form of non-compensated flexibility and should be phased out in favour of competitive participation in flexibility markets as soon as possible. Continued work on this will be required to develop visibility of the volume of current curtailable assets and therefore help us understand the severity of this issue.

Q4 Do you agree with our alternative approach to continue with the metrics as a reporting requirement? Please explain why.

The ADE agrees that if the performance metrics are not going to be introduced throughout RIIO-ED2 that these should continue to be a reporting requirement to maintain incentive for licensees and henceforth achieve what was originally set out in the Final Determinations.

Furthermore, the continuation of the requirement of the metrics will aid the work of the eventual market facilitator and RESPs. Details as to how licensees report against their performance, with the issues highlighted in the consultation in mind, would need to be made clear.

Q5 Do you agree with our alternative approach to reassign the 20% value of the incentive to the performance panel assessment? Please explain why.

We agree with the alternative approach that the additional 20% should be given to the performance panel, yet a requirement to measure the performance of licensees against the metrics should be required, as per the above. There must not be additional weighting given to the performance panel without specific details in the evaluation criteria being put in place against the metrics.

For more information, please contact:

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