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# ADE Response | Ofgem Call for Evidence – Review of the arrangements for electricity ancillary services | 16 May 2022

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## Context

The ADE welcomes the opportunity to respond to Ofgem’s Call for Evidence – Review of the arrangements for electricity ancillary services.

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

While the ADE does not have a position on many of the below questions, we do strongly consider that such assets should only be provided commercially to avoid any risks to competition and the growth of mature demand flexibility markets in order to meet 2035 objectives.

## Consultation Questions

### Level playing field issues:

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#### **4. Should assets dedicated to providing ancillary services receive regulatory funding, be commercially provided, or should there be a combination of the two?**

Such assets should only be provided commercially in order to preserve market integrity and avoid any conflict of interest concerns, as with CLASS at the distribution level.

#### **5. On an enduring basis, should electricity consumed solely to provide an ancillary service be exposed to the costs, charges and levies that consumption of electricity in general (such as final demand) is exposed to? Please provide details to support your position, such as the magnitude of the impact to your business, and the impacts on competition and energy consumers more widely.**

It is unclear why such assets should be exempted from charges. The ADE does not support this position.

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### Licensing arrangements:

#### **8. Should the dedicated provision of ancillary services be a licensed activity?**

- a. What are the benefits and risks for consumers and other stakeholders of assets dedicated to providing ancillary services being provided solely through Transmission Owner (TO) ownership?**
- b. What are the benefits and risks for consumers and other stakeholders of assets dedicated to providing ancillary services being provided only through commercial ownership?**
- c. Would different licensing treatment for assets dedicated to providing ancillary services present any challenges? For example, with TO-owned assets licensed under their electricity transmission licence and commercially owned assets under a different (or no) licence.**
- d. What would be the impact of each of these options on competition?**

As above, such assets should only be provided commercially in order to preserve market integrity and avoid any conflict of interest concerns, as with CLASS at the distribution level. Risks to the growth of mature flexibility markets must be avoided in order to achieve the projections indicated by the Smart Systems Flexibility Plan.

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**For further information please contact:**

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