

A blurred background image showing various electrical components, including a three-pin UK power plug and a circuit board with electronic components.

## Agency Models

### Overview

**TADG 1<sup>st</sup> Meeting - July 2006**

# Agency Models

- Range of models set out in Ofgem's discussion papers and in the January seminars
  - DNO
  - Supplier
  - DSO
  - Hybrid
- Respondents expressed a range of views

# DNO Agency

## ADVANTAGES

- Conceptually simplistic
- Best placed to act as an interface between generators connected to its network and NGET
- Possesses most complete information on network flows

## ISSUES/ DISADVANTAGES

- Complexity of new role for “active DNO” – creating incentives, re-opening the price control
- How would charges be passed through to suppliers – new methodology
- How to manage Balancing Mechanism interaction
- may necessitate an energy trading role for the DNO - require primary legislation

# Supplier Agency

## ADVANTAGES

- Simplest model to implement – minimum level of reform
- An existing contractual and charging interface between NGET and suppliers already exists
- Formally confers rights to export from GSPs to Suppliers
- Provides consistent liability across generation
- Cost reflectivity delivered by including distributed generation in DCLF ICRP model

## ISSUES/ DISADVANTAGES

- Whether a supplier agency agreement would disadvantage small suppliers within a GSP group - barrier to entry into the supply market?
- Whether and how access products could be developed and implemented under a supplier agency model
- Whether there are any technical impediments to the implementation of such a model e.g. metering, data requirements

# Distribution System Operator

## ADVANTAGES

- Independent party managing flows on the distribution network – akin to GBSO
- Could be a natural evolution of a DNO agency model

## ISSUES/ DISADVANTAGES

- Unduly complex compared to other models with little additional benefit
- 14 new SOs – “Mini BETTA”
- Requires primary legislation
- Significant change to contractual frameworks – TSO/DNO
- Increase in regulatory risk given recent introduction of BETTA

# Hybrid Model

## ADVANTAGES

- Take elements of both the DNO (operational issues) and the supplier agency (charging issues) models – best of both worlds

## ISSUES/ DISADVANTAGES

- Can they practically be combined or broken down in this way? Does it lessen or increase complexity?



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