

LCNF Full Submission

Supplementary Answer Form

DNO Name:	SEPD	Question Number:	SSE045
Question Date:	21/10/10	Answer Date:	22/10/10
Question Topic:		Charging derogation	

Original Question No:	SSE033	Original Answer Date:	24/09/10
Original Question:	Can you confirm that the UoS tariffs levied on customers (incl. I&C) participating in the trial will remain as per your current charging methodology and that any payments made to these customers will be purely for participation in the trial?		
Original Answer:	<p>We can confirm that the UoS tariffs levied on all customers participating in the trial will remain as per our current charging methodology. As stated previously, for customers that agree to being involved in LCN trials, it is our intention to make <i>ex gratia</i> payments to customers (or their agents) to recognise their participation. Going forward, we would seek to develop our charging statement to accommodate these new arrangements on an enduring basis.</p> <p>We are, however, also seeking to encourage large customers to shift and flex demand patterns. This will require designing new commercial arrangements, including incentive schemes to promote participation. As with domestic customers, we intend to make <i>ex gratia</i> payments to I&C customers to facilitate this for the purposes of the trial. In the longer-term, it is our intention to develop these as Ancillary Services.</p> <p>If, as part of more enduring arrangements, changes are required to our charging methodology, they will require Authority approval and we will therefore work closely with Ofgem whilst we develop these products to ensure that current licence obligations continue to be met.</p>		

Question:	<p>In your response to SSE033 & SSE034 you stated that both trials would seek to encourage large customers to shift their demand patterns. You commented that this will require new commercial arrangements and that as part of the trial you will make <i>ex gratia</i> payments to I&C customers to facilitate this shift in demand. However, you state that these payments will be developed into ancillary services only in the longer term.</p> <p>Can you please clarify whether these <i>ex gratia</i> payments will be designed to reward these customers for providing flexible demand or be made purely in recognition of participation in the trial and regardless of whether or not customers provide any flexible demand.</p>
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	Futhermore, if the payments are in return for flexible demand, will they be made by yourselves or via an ESCO who you contract with?
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Answer:	<p>TVV Project</p> <p>We can confirm that the ex-gratia payments <u>will</u> be designed to reward the customers for providing flexible demand, not simply for participation in our trials. The reasons why we have termed these “ex-gratia” is because it is the purpose of the project to determine the value of the Demand Response (DR) to the DNO and the incentive payment required to the customer to achieve the required level of DR.</p> <p>We will only reward on behavioural change and any reward given will be a universal in approach so as to reflect general obligations not to discriminate between customers.</p> <p>The payments will be made to the customer or agent via the most appropriate vehicle and we will establish this during the project. The project will also determine if there is a desire for new service providers to enter this market and offer competitive solutions and choice for the customer and the DNO e.g. DSO Aggregator or what might be termed an “ESCO”. It is important to note that we intend to demonstrate in our project that we can support both ESCO/Energy Supplier and DSO demand side management in a similar way to the Supplier and TSO division of responsibilities under existing codes of practice etc.</p> <p>We will also be facilitating and encouraging other ESCO activity to assist the creation the technical challenges for the our project. This will be initially led by our partners, Bracknell Forest Council, however we can confirm that our project will be open to active participation by other ESCOs. Although not funded by our LCNF project, this activity is anticipated to be an important vehicle in the acceleration of low carbon energy technologies in the Thames Valley area and an important demonstration of an approach suitable for adoption throughout GB.</p>
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Attachments:	
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