

Demand Side Response Workshop

The purpose of this meeting was to bring together a wide range of stakeholders to discuss their views on issues affecting the development of the DSR market.

Date and time of Meeting	29 November, 2-4pm
Location	Room 9, 9 Millbank, Ofgem

1. Present

External

1. Jeremy Nicholson, Energy Intensive Users Group
2. Tim Morris, Corus Group
3. Gill Owen, Sustainability First
4. Judith Ward, Sustainability First
5. Richard Hall, Consumer Focus
6. Paul Densham, Sainsbury's
7. Alex Spreadbury, B&Q
8. James Summerbell, Tesco
9. Jacopo Torriti, LSE
10. Matthew Leach, University of Surrey
11. Linda Hull, EA Technology
12. Erik Nygard
13. Carl Henshaw, Central Networks
14. Richard Leyland, DECC
Barbara Green, DECC
15. Paul Mott, DECC
16. John Lucas, Elexon
17. Richard Westoby, SSE
18. John Pietryszak, Scottish Power
19. Petter Allison, Centrica
20. Paul Delamare, EDF Energy
21. Alicia Carrasco, Emeter
22. Ziko Abram, Kiwi Power

23. Yoav Zingher, Kiwi Power
24. Tim Rotheray, CHPA
25. Ed Reed, Cornwall Energy
26. Hannah McKinney, EDF

Ofgem

27. Sarah Harrison, Senior Partner, Sustainable Development
28. Maxine Frerk, Partner, Sustainable Development
29. Rachel Fletcher, Partner, Distribution
30. Ian Marlee, Partner, GB Markets
31. Sarah Samuel, Head of Environmental Policy
32. Graham Knowles, Senior Manager, Environmental Policy
33. Adhir Ramdarshan, Senior Manager, Smart Metering
34. Kate Smith, Senior Manager, Demand Side Insight
35. Phil Sumner, Head of Consumer Policy
36. Sabreena Juneja, Economist, Environmental Policy
37. Vincenzo Petterson, Analyst, Environmental Policy

2. Apologies

Robert Cummings, CBI
Jeremy Waters, Sainsbury's
Serena Hesmondhalgh, Brattle Group
Rebekah Philips, Green Alliance
Ben Cattermole, DECC
Marian Spain, EST

Nigel Fox, National Grid
Frances Williamson, ERA
Chris Harris, RWE npower
David Mannering, RWE npower
Chris Wright, Moixa Technology
Gary Parke, Breathe Energy

3. Agenda

Agenda: DSR Workshop, 29 November, 2-4pm, Room 9, 9 Millbank, Ofgem		
Welcome and opening remarks	Sarah Harrison, Senior Partner, Sustainable Development	2:00
Overview of Ofgem DSR discussion paper	Sabreena Juneja, Economist, Sustainable Development	2:05
Ofgem initiatives to facilitate DSR	Rachel Fletcher, Partner, Distribution	2:10
Academic & Consumer perspectives	Dr Jacopo Torriti, Fellow in Environment, LSE Tim Morris, Manager, UK Energy Supplies, Tata Steel Group discussion, chaired by Sarah Harrison	2:20
Industry perspectives	Petter Allison, Director of Smart Metering, British Gas Nigel Fox*, Contracts & Settlements Manager, National Grid Group discussion, chaired by Sarah Harrison	3:05
Wrap-up and conclusions	Sarah Harrison	3:50

*Nigel Fox was unable to attend and present at the workshop due to adverse weather conditions.

4. Academic and consumer perspectives, Group Discussion

4.1. Some of the key messages from the group discussion were that consumers, in particular I&C consumers, are interested in providing DSR but do not consider it to be a core activity because the scope to participate and earning potential are both limited. There was also an emphasis on the diversity of I&C customers. A few commercial customers stated that they have not been offered products by suppliers and want to see simple products on the market.

4.2. A consumer group stated that the main challenge in increasing participation in the domestic sector is to make tariffs understandable, and that some customers will take up dynamic tariffs while others will be reluctant to.

4.3. A network company stated that it has found it difficult to facilitate DSR as it does not have a direct relationship with consumers.

4.4. Some of the views from suppliers were that, in offering DSR products, there is a risk on their position in that they can be penalised with imbalance charges if response from

consumers is not firm. Thus, the incentive to facilitate DSR should lie elsewhere on the supply chain.

5. Industry Perspectives, Group Discussion

5.1. Based on the research he presented, Petter Allison stated that TOU tariffs/peak shifting should focus on high energy (and high income) users. He further stated that there is an expectation that this consumer group will take up innovative tariffs more readily than other groups. However, one of the attendees disagreed with this conclusion and pointed to customers on dynamic teleswitching who are typically on low incomes.

5.2. A representative from a supplier group stated that price signals, if made too sharp, could impact small suppliers and changes to network charging could increase volatility. Furthermore, sharpened price signals need to be communicated to consumers so that they can respond appropriately.

5.3. An Ofgem representative stated that DNOs and suppliers need to be sufficiently incentivised otherwise the optimal level of DSR will not be achieved. He said Ofgem is considering longer term System Operator (SO) incentives and sharpening price signals, and asked the group whether there are alternatives to sharpening price signals.

5.4. There was some discussion from a network company who stated that pricing signals at the distribution level are not sharp enough. Another Ofgem representative stated that Ofgem has recently put in place much sharper use of system charging at the distribution level. A supplier group representative remarked that suppliers do not see benefit in facilitating DSR due to the network charging element.

5.5. One of the aggregators stated that SMEs do not have the resources or time to devote to DSR. The aggregator has spent a lot of time educating SMEs about DSR but found that they are hesitant about participating in it as they perceive it as a loss of control.

5.6. An attendee noted that organisations captured within the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) who provide DSR and use back-up generation (fuelled by diesel) will be penalised under the CRC.

5.7. A supplier said that data management and the capacity to handle analytics will be important due to the exponential amount of data likely to be captured as a result of smart meters. He also said that domestic customers on dynamic pricing will need to have an in-home display unit to receive communication about the benefits and facilitate behaviour change. He added that smart appliances and automated control customers will require an override function.

5.8. Another supplier stated that successful DSR examples are those where there has been an enduring relationship. He also noted that margins are very thin in this market and DSR is not within a supplier's control therefore SO incentives should be explored.

5.9. An I&C consumer representative stated that he welcomes more participation among the domestic sector but government policy on renewable generation is a barrier; the scale envisioned does not match the potential of DSR.

6. Wrap-up and conclusions, Sarah Harrison

6.1. Sarah Harrison addressed the group and stated that some of the messages Ofgem will take away are that the I&C sector is not homogenous and that smart meters will provide the opportunity to convey information about consumption and facilitate automation in the domestic sector. She said the key issues for Ofgem are to identify barriers to DSR, understand how the market is developing and identify if anything can be done from a

regulatory perspective. She concluded by saying that Ofgem is interested in hearing views from stakeholders on how it can best promote dialogue on DSR.