

Invitation for applications to participate in the DECC/Ofgem Smart Grids Forum

DECC and Ofgem have decided to establish a Smart Grids Forum. This letter sets out our reasons for taking this step. It also invites applications from people that wish to be considered for membership of this Forum.

The Government and Ofgem aim to support the transition to a secure, safe, low carbon, affordable energy system in the UK. To support this goal, we have binding targets to reduce greenhouse gas emissions by at least 80% by 2050 (on 1990 levels). Electricity network companies will have to address significant new challenges as they play their role in the decarbonisation of electricity supply. They will also be involved in the broader developments necessary to deliver the low carbon transition. The electricity networks will have to be developed to efficiently facilitate low carbon developments in generation, supply and consumption, while ensuring security of supply. To meet these challenges, the future system needs to be more integrated and flexible. We will need a smarter network with the capacity to transfer significantly more energy between a diverse range of generators and consumers. In particular, the systems necessary to balance supply and demand will overlap and be integrated with network and demand control technologies. Significantly more system monitoring and intelligent control will be needed to securely manage a much more complex system while meeting the demand for energy with the optimum level of generation and network capacity – in short a smarter network.

Against this background, the level of interest and activity related to the development of smarter electricity networks continues to grow. DECC and Ofgem have already taken a lead here with the publication of the Electricity Networks Strategy Group's (ENSG¹) Vision² and Route Map³ for Smart Grids. DECC published "Smarter Grids – The Opportunity"⁴ in late 2009.

DECC and Ofgem are continuing to pursue strategic and regulatory policies that encourage the development of smarter networks. DECC will be managing the implementation phases of the smart metering programme, which will see the roll out of smart meters to GB households and many businesses paving the way for smart grids. Building on the rollout of smart meters, DECC is considering the potential for storage, interconnection, smart grid technologies and demand-side management, as well as more conventional technologies, to address future network management and system balancing challenges. The Department will publish a strategy for future networks, balancing supply and demand and smart grid development as part of the Electricity Market Reform White Paper in spring 2011.

¹ [ENSG website](#)

² [ENSG - A Smart Grid Vision](#)

³ [ENSG - A Smart Grid Route Map](#)

⁴ [Smarter Grids - The Opportunity](#)

Consideration of smarter networks played an important part in the last electricity distribution price control review (DPCR5⁵) that took effect in April last year. It will play an even larger part in the next electricity distribution price control review which will commence in 2012. Perhaps the highest profile regulatory policy innovation in DPCR5 was the Low Carbon Networks Fund⁶. The first major projects awarded funding under this initiative⁷ were announced last year and amounted to an investment of some £62m. The broader issue of network innovation is being taken forward as a key part of the RII0⁸ project and the development of the Innovation Stimulus.

In order to properly recognise the importance of network development as a key part of the low carbon transition, we have decided to establish the Smart Grids Forum which will focus on this issue. We strongly believe that DECC and Ofgem have a responsibility to provide leadership and momentum in this important area at this time. Because of its importance we, as joint-chairs of the ENSG, have decided to also chair the Smart Grids Forum. While we do not see our role as prescribing solutions or deployment plans we are looking to provide a forum that will:

- Identify future challenges for electricity networks and system balancing, including current and potential barriers to efficient deployment of smart grids;
- Guide the actions that DECC/Ofgem are taking to address future challenges, remove barriers and aid efficient deployment;
- Identify actions that DECC/Ofgem, the industry or other parties could be taking to facilitate the deployment of smart grids;
- Facilitate the exchange of information and knowledge between key parties, including those outside the energy sector;
- Help all stakeholders better understand future developments in the industry that they need to be preparing for;
- Track smart grid developments and their drivers; and
- Track smart grid initiatives in Europe and elsewhere.

The Forum will take ownership of the ENSG's Vision and Route Map and consider the need for further iterations of these documents. We would like the Forum to consider the higher-level questions and key future network challenges (with a particular focus beyond 2020), including questions of network innovation, system balancing strategies and the roll out of smart grid technologies.

We expect the Forum to meet at least three times through 2011. It will publish minutes of these meetings on so that the activities of the Forum are transparent to all parties. It will also produce a report of its findings, and the actions undertaken by DECC and Ofgem, early in 2012. This report will also recommend a way forward for the Forum. We expect that this report will provide a valuable contribution to the review of the Low Carbon Networks Fund planned for 2012.

The Forum's scope will be broad – looking at the services and functionalities that networks will be required to offer as we transition to a low carbon energy sector. It will therefore consider the network companies' challenges and opportunities relating to distributed generation, the electrification of heating and transport and of course the

⁵ <http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/DPCR5/Pages/DPCR5.aspx>

⁶ <http://www.ofgem.gov.uk/Networks/ElecDist/Lcnf/Pages/Lcnf.aspx>

⁷ [Low Carbon Networks Fund press release](#)

⁸ <http://www.ofgem.gov.uk/Media/PressRel/Documents1/RIIO%20T1G1.pdf>

implications of smart metering on demand side management and active network management. It will address commercial and cultural as well as technical changes and the barriers the network companies face in making these changes.

We are looking to bring together a small number of people (around 15) who can help inform our work and the work being done more generally on smart grids. Our intention is that membership of this Forum should extend beyond the energy industry and include technology providers, large customers, academics and other bodies working on smart grid related issues. We are looking to ensure that the different aspects of smart grid development are represented on the Forum, while keeping it small enough to allow it to operate effectively. This rules out every network company and every major energy supplier having a seat at the Forum.

In order to establish the Forum we are issuing this open invitation for people to apply to be members of it. We will be selecting the members for what they can personally bring to the work of the Forum rather than on the basis of the organisation they represent. In particular, we are looking for people who have a good understanding of issues relating to smart grids (as noted above), who can influence others in their field and who may be able to take away actions from the Forum. We will ensure that the Forum members have the ability to make a real difference in the development of smarter networks and/or bring a particular level of expertise and experience that will be of value to the Forum's work.

We invite those who are interested to submit applications for membership to us. These should be no more than two pages in length and should set out clearly your case for membership, based on our ambition for the Forum and our expectations from members as set out above. It will be particularly helpful if Forum members are able to represent wider communities of stakeholders. If you believe that you are to do this and can demonstrate support from other stakeholders, we would ask that you provide a list of these supporters subject to their consent. Applications should be sent to Neil Copeland (neil.copeland@ofgem.gov.uk) by 7 February. The first meeting is planned to be held on a date to be agreed in March.



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