

Demand Side Working Group Minutes – 16th January 2012

Agenda for the Demand Side Working Group.	From People Invited	Ofgem Demand Side Working Group	16 January 2012
	Date and time of Meeting	3.00pm-5.00pm 16 th January 2012	
	Location	Room 9, Ofgem	

Attendees

External Attendees

Malcolm Arthur (National Grid)
Simon Bradbury (Poyry)
Rachel Branigan (GDF Suez)
Mark Duffield (National Grid)
Claire Gibney (Cabinet Office)
Richard Hall (Consumer Focus)
Marina Hod (Kiwi Power)
Ben Hook (CBI)
Dan Jerwood (GDF Suez)
Alison Meldrum (Tata Steel)
Eddie Proffitt (MEUC)
Mo Rezvani (SSE)
Simon Russell (Tata Steel)
Esther Sutton (E.ON)
Chris Webb (BOC) – by phone
Steve Wilkin (Elexon)

Ofgem Attendees

Mark Askew
Jamie Black
Emma Burns
Tom Corcut
Simon Dennell
Steffen Felix
Lewis Heather
Mathieu Pearson
Phil Slarks (Chair)
Natasha Smith
Giles Stevens

1. Introduction

1.1. Phil Slarks welcomed the attendees.

2. Agenda Item 1: Review of the minutes of the last meeting

2.1. The minutes of the previous meeting were approved.

2.2. Malcolm Arthur gave a brief update on agenda item 4 from the September meeting, (National Grid: Review of System Alerts and Firm monitor). National Grid will issue a GBA modification proposal in February in relation to changing the methodology for how they calculate the GBA trigger levels and publishing more information to the market.

2.3. Mark Duffield gave a brief update on the ERA/ENA Smart Demand Response working group. A discussion paper will be published soon and will be circulated to the DSWG when it is available.

3. Agenda Item 2: Electricity Cash-out (Jamie Black)

3.1. Jamie Black gave a presentation on [Electricity Cash-out \(PDF – link opens in a new browser window\)](#), including a brief background, issues with the current arrangements and the potential future approaches that were set out in the cash-out “issues” paper. He clarified that the consultation (closing date of 24th January) is asking stakeholders whether Ofgem should undertake a significant code review (SCR) and also for comments on the approach Ofgem could take to a SCR.

- 3.2. Members discussed the fact that the cash-out price would continue to be an energy only price, rather than one that included a reflection of availability, and the implications of this for demand side response. They also discussed timescales going forward: Ofgem stated that the decision to conduct an SCR is a decision for the Authority and they would consider consultation responses before making a decision.
- 3.3. Members noted the interactions with other Ofgem projects, such as the Gas SCR, and highlighted the need for any SCR on electricity cash out to reflect these interactions, including in the timings of the SCR.

4. Agenda Item 3: Gas Significant Code Review (Steffen Felix, Lewis Heather)

- 4.1. Steffen Felix presented on the [Gas Security of Supply Significant Code Review \(Gas SCR\) \(PDF – link opens in a new browser window\)](#). The discussion under this agenda item focused mainly on the cash-out part of this project rather than the “further interventions” work stream.
- 4.2. DECC has asked Ofgem to produce a report on further interventions later this year. Ofgem has engaged consultants to assist with this work. Meetings with industry experts and other stakeholders are currently ongoing, and stakeholder workshops are being held in January and February 2012.
- 4.3. The group discussed the impact of cash-out reform on demand side response, in particular interruptible contracts. It was suggested that VoLL could become a target price for interruption. Ofgem put forward the view that customers would have the option of agreeing interruptible contracts at a price lower than VoLL, as they would be more likely to be interrupted and receive payments from their supplier for that interruption. Also, customers could negotiate lower gas prices for signing interruptible contracts. It was noted by one participant that domestic shippers are those most likely to be short in an emergency but cannot sign interruptible contracts, while I&C shippers might have no interest in signing such contracts. Ofgem noted that I&C shippers might be interested in agreeing interruptible contracts if that means that they can sell their gas at VoLL in an emergency.
- 4.4. The group discussed whether suppliers or consumers should bear the burden of proof of curtailed consumption in the event that large NDM customers are instructed to shed load. It was noted that automated meter readers (AMRs) would help to prove that consumption has been curtailed. There is an obligation on suppliers to roll-out AMRs by 2014. However, there was uncertainty around whether a customer has the right to refuse installation of an AMR. It was noted that there is a competitive market for AMRs at the moment, so potentially a customer might refuse one particular type of AMR, but could install a different one instead. It was also proposed that transporters should be obliged to roll out AMRs and the burden of proof should therefore be on them.
- 4.5. One group member raised the timings of payments to customers for interrupted supplies. Members of the group said that they thought this was an important issue: delaying payments could have a significant financial impact on some customers. Ofgem said they were currently considering this point.
- 4.6. The group moved on to talk about payments to interruptible daily metered customers in the event that those customers are asked to interrupt by their transporter following a direction from National Grid, rather than by their supplier. Ofgem presented its minded to position: interruptible customers should receive the contractually agreed exercise price, while shippers would benefit from a longer balance position but would not receive any other funds to pay customers. The suggestion was made by a member of the group that customers with interruptible contracts should receive full VoLL in the

case of an emergency, so that the customer does not lose anything by agreeing to be interruptible.

5. Agenda Item 5: Smarter Markets Strategy (Ben Smithers)

- 5.1. Ben Smithers gave a presentation on [Ofgem's Smarter Markets Strategy \(PDF – link opens in a new browser window\)](#), as well as an overview of the projects the Smarter Markets Strategy team are currently working on. He presented on the impact of smart meters, Ofgem's current consultation and implications for demand side response.
- 5.2. The consultation closes on the 7th of March. Members were encouraged to read and respond to the consultation.
- 5.3. A question was asked about how this work interacted with DECC. DECC are responsible for the roll out of smart metering, the technical specifications of the meters themselves and the rules in relation to data access. Ofgem has a smart metering team that is feeding into this process. The scope of the Smarter Markets Strategy team is to look at the measures Ofgem need to put in place as well as feeding in to any decisions DECC will make.

6. Agenda Item 5: SO Incentives (Mathieu Pearson)

- 6.1. Mathieu Pearson gave a brief update on the System Operator (SO) incentives work.
- 6.2. A consultation was published on the high level principles in June and the decision on the principles and policies will be published in the next couple of weeks. It will be a minded to position on a number of things, particularly on setting schemes for a longer period of time.
- 6.3. There will be an 8 week consultation period after the document is published. The team will also be at the Gas Transmission Work group on the 2nd of February and the electricity operation Forum on the 23rd of February to discuss the proposals.
- 6.4. There was a question from the group about the cap and collar incentive scheme for the electricity system operator. Ofgem confirmed there is a new 2 year model in place and currently the scheme is not forecast to hit the cap or collar. A group member representing consumers highlighted the need to ensure that there are not windfall gains or losses.

7. Agenda Item 6: Brief Update on other Ofgem work streams

- 7.1. Phil Slarks highlighted the [Other Issues note \(PDF – link opens in a new browser window\)](#) - available in hard copy and that would be circulated to group members following the meeting. The note highlights a number of currently ongoing consultations.
- 7.2. Giles Stevens gave a brief update on Regulations on Energy Market Integrity and Transparency (REMIT) – including Ofgem's role in relation to the Regulations.

8. Any other business

- 8.1. One attendee proposed that there would be merit in having a sub group of the DSWG which would focus solely on retail issues, specifically domestic DSR.
- 8.2. On the smarter market side, Ben Smithers repeated the invitation for members to attend the events before the 7th of March consultation deadline. Phil Slarks said Ofgem had previously thought about the role of the DSWG going forward and would look to progress this work.

- 8.3. Malcolm Arthur told the group there was an electricity consultation on changes to Balancing Services Use of System (BSUoS) charges methodology. The first working group had been on the 9th of January.
- 8.4. Members noted the large number of consultations that were currently underway or in the pipeline, and raised the possibility of Ofgem publishing a calendar of the relevant projects and timelines of when next steps are being taken. Ofgem agreed to look further at this.

9. Date of next meeting

- 9.1. A provisional date was discussed for the next meeting, noting the possibility of holding the meeting on the same day as the next Large Users Group (LUG) (5th March) meeting. Members noted this could cause be problematic in that if a member was unable to attend one meeting, they may miss both. A second possibility would be in the latter half of April. Ofgem committed to consider currently ongoing consultations and get back to the group.