

## Demand Side Working Group Minutes – 20<sup>th</sup> April 2012

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Agenda for the Demand Side Working Group.	From People Invited	Ofgem Demand Side Working Group	20 <sup>th</sup> April 2012
	Date and time of Meeting	10.00am-12.00am	20th April 2012
	Location	Room 9, Ofgem	

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### Attendees

#### External Attendees

Aily Armour-Biggs (Global Energy Advisory) - by phone  
Malcolm Arthur (National Grid)  
David Brogden (SSE)  
Gareth Davies (CIA)  
Mark Fitchett (Ineos)  
Marina Hod (Kiwi Power)  
Caroline O'Leary (Cornwall Energy) – by phone  
Alastair Manson (Engage Consulting)  
Alastair Martin (Flexitricity)  
Stephen Mayne (CBI)  
Andrew McDermott (Ceramfed)  
Alison Meldrum (Tata Steel)  
Emma Piercy (Elexon)  
Alison Porter (Cornwall Energy)  
Arthur Probert (Energy Services Partnership)  
Eddie Proffitt (MEUC)  
Mo Rezvani (SSE)  
Neil Rowley (National Grid)  
Charles Ruffell (RWEnpower)  
Paul Smith (Energy Networks)  
Richard Street (Corona Energy)  
Esther Sutton (E.ON)

#### Ofgem Attendees

Mark Askew  
Cesar Coelho  
Simon Dennell  
Charlotte Ramsay  
Phil Slarks (Chair)  
Natasha Smith  
Andrew Wallace

### 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.

### 3. Agenda Item 2: ERA/ENA Smart Demand Response Paper (Alistair Manson)

3.1. Alastair Manson gave a presentation on the smart demand response work currently being conducted by [ENA and Energy UK \(PDF – link opens in a new browser window\)](#). The presentation set out the progress to date and a summary of the forthcoming

report. He said that consultation with internal stakeholders was currently ongoing. If approved, the report was due to be published in May.

- 3.2. It was explained that the work is a joint collaboration between ENA and Energy UK and had also included inputs from market participants such as Good Energy and Ecotricity. The work is driven by a common recognition that load shifting will be of growing importance and that smart meters can be a facilitator of this change. It was also stressed that the work is not looking to design the "solution" as first they needed to understand what the objective is.
- 3.3. Other members of the group suggested that as consumers are the ones that actually participate in demand side response they should be involved in these discussions. It was noted that the work was industry-led at present, to understand what could be delivered; however, it was stated that the group will continue to review its membership as the project progresses.
- 3.4. Most attendees agreed that this project is a major opportunity, and that it is right to be looking at this issue now in order to consider the potential benefits of redesigning smart systems.

#### **4. Agenda Item 3: EU Demand Connection Code (Charlotte Ramsay)**

- 4.1. Charlotte Ramsay presented on the [EU Demand Connection Code \(PDF – link opens in a new browser window\)](#). The discussion under this agenda item covered the background and process on what changes will be brought about by European guidelines and how these guidelines - specifically the Demand Connection Code - are likely to affect GB stakeholders.
- 4.2. The Third Package requires network codes on certain issues. ACER (Agency for the Cooperation of Energy Regulators) develops framework guidelines which ENTSOE (European Network of Transmission System Operators for Electricity) uses to develop the network codes. The Commission makes network codes law via committee.
- 4.3. The timelines for the next steps in the project are as follows: On January 5 2012 the Commission requested ENTSOE to develop the network code. ENTSOE are currently requesting stakeholder inputs till the 9 May, and then will consult on a draft network code from June to September. ENTSOE will submit the network code to ACER by 5 January 2013; ACER will express their opinion on the network code; then the Commission runs committee. New legislation comes into force after 2014.
- 4.4. The Code will apply to all Significant Grid Users (SGUs). The network code will set out the criteria and methodology to define SGUs. There was some discussion as to who would fall under the definition of SGUs. For example, small generators who have cross border impacts could be seen as significant users: small photovoltaic installations in Germany have been identified as one area where smaller users have impacts when taken together as one group.
- 4.5. One member asked how much of an impact the implementation of these codes would have and how much change there would be in market arrangements. Charlotte responded that the network codes were still very much open to change so it was difficult to say. ENTSOE are taking a wide ranging approach and looking for as much stakeholder engagement as possible.
- 4.6. The issue of how to involve smaller players in the stakeholder engagement process was raised. It was stated that where smaller players are members of trade associations they should look to engage in the process through them, as these groups already have links with ENTSOE in many cases. However it was mentioned that a lot of smaller parties are not well informed of the changes coming in from Europe. Charlotte Ramsay

highlighted the Joint European Standing Group as another potential route for engagement in the process.

## **5. Agenda Item 5: Low Carbon Networks Fund (Mark Askew)**

- 5.1. Mark Askew gave a presentation on the [Low Carbon Networks Fund \(PDF – link will open in a new browser window\)](#). As well as an overview of the objective of the Fund and how it operates, Mark also gave a brief progress report on some of the successful projects from previous years.
- 5.2. The Fund's objective is to encourage Distribution Network Operators to facilitate low carbon initiatives and make the most of opportunities presented. The focus is to learn from the current projects and use this information and experience to enable adoption of the approaches across the country.
- 5.3. One member of the group questioned why the Fund was only available to DNOs, and suggested it should be open to all parties as these projects would benefit the industry as a whole. It was stated that most of these projects have many partners providing funding and working together with the DNOs. Therefore the whole industry is represented. The point was still made that it should not have to be a DNO leading the project.
- 5.4. As part of the RIIO-T1 and GD1 price controls, Ofgem will introduce the new Network Innovation Competition (NIC) from April 2013. This will expand the LCNF principles to other network sectors. On 21 March 2012 Ofgem published decisions on the high level design of the NIC and set out the next steps for implementing the wider package of measures known as the Innovation Stimulus.
- 5.5. This discussion was constrained by time – however, members were encouraged to get in contact with Phil Slarks if they had any further questions.

## **6. Agenda Item 5: Unidentified Gas Charges (Cesar Coelho)**

- 6.1. Cesar Coelho gave a presentation on [unidentified gas and the allocation of charges to industry and the Allocation of Unidentified Gas Expert \(AUGE\) process \(PDF – link will open in a new browser window\)](#).
- 6.2. Unidentified gas is gas that is supplied to the network, but whose use, after correcting for the volume of gas lost in the network (eg. due to leakage/theft or meter errors) cannot be directly attributed to a shipper.
- 6.3. Each year, the AUGE then determines a fixed quantity of gas attributable to each market sector: Smaller Supply Points (SSP – mainly domestic sites); Non-Daily Metered (NDM) Larger Supply Points (LSP) and Daily Metered (DM) LSP. Previously the charges for unidentified gas would be paid exclusively by SSPs through the Reconciliation by Difference Process. The AUGE is now responsible for setting out a methodology to identify sources of unidentified gas and also for apportioning the respective charges to NDM LSP and daily metered LSP. When questioned about why DM users were now involved in the process, the answer was that the AUGE, in its role as an independent expert, is committed to review the whole market, including potential sources and amounts of unidentified gas on the DM LSP sector. It was further noted that for this year (April 2012 to March 2013), the AUGE concluded that there would be no unidentified gas allocated to the DM LSP sector.
- 6.4. There was some discussion on shipperless/unregistered customers and how their allocation should be met. It was stated that some of these unregistered sites may be industrial sites that were still being built and now are fully registered. However, in other cases these sites may be consuming gas which is unmetered and does not meet

the current industry processes and requirements. It was noted that it is important to address the root causes of unidentified gas, like shipperless and unregistered sites, and that further to the AUGE's work, the industry is already taking steps in that direction.

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

- 7.1. Phil Slarks highlighted the [Related Issues note \(PDF – link will open in a new browser window\)](#) - available in hard copy and that would be circulated to group members following the meeting. The note highlights a number of currently ongoing consultations.

## **8. Any other business**

- 8.1. Malcolm Arthur raised a number of ongoing Mods with the group. Including on Gas Balancing Alerts, following up on the discussion at the September DSWG meeting. There will be a consultation on this Mod in May.
- 8.2. There is also a Mod (CMP201) looking at removing BSUoS charges from generation, which would align the GB market with other EU member states by recovering BSUoS from GB suppliers only.
- 8.3. There are further Mods on improving the forecasts of BSUoS (CMP208) and TNUoS (CMP206). As well as a Mod looking at revised treatment of BSUoS charges on lead parties of interconnector BM units.
- 8.4. A final Mod (CMP207) for limiting the annual increases in TNUoS charges to 20% is on hold.

## **9. Date of next meeting**

- 9.1. A provisional date was discussed for the next meeting, noting the possibility of having a summer break due to the Olympics and summer holidays. Members noted that they felt there would still be several relevant issues to cover. Early July was suggested as a potential time for the next meeting. Ofgem committed to consider currently ongoing consultations and get back to the group.