

Demand Side Working Group Minutes – 6th September 2012

Minutes for the September Demand Side Working Group.	From People Invited	Ofgem Demand Side Working Group	26 th September 2012
	Date and time of Meeting	15:00 – 17:00	26 th September 2012
	Location	Ofgem, 9 Millbank	

Attendees

Industry attendees

Dave Brogden (SSE)
Robert Cameron Higgs (WW Utilities – by phone)
Mark Duffield (National Grid)
Richard Hall (Consumer Focus)
Trent Hardman (Elexon)
Alastair Martin (Flexitricity)
Eddie Proffitt (MEUC)
Mo Rezvani (SSE)
Charles Ruffell (RWE)
Emma Short (Rio Tinto)
Esther Sutton (E.ON)

Ofgem attendees

Mark Askew
David Birchby
Thomas Farmer
Andreas Flamm
Tom Harper
Thomas Jones
Anjali Mehta
Phil Slarks

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: Electricity Balancing SCR (David Birchby/Andreas Flamm)

- 3.1. David Birchby gave a presentation on the [Electricity Balancing SCR \(PDF – link opens in a new browser window\)](#). The presentation covered the steps leading to the launch of the SCR; the forward timetable; the issues under the scope of the SCR and next steps.
- 3.2. David Birchby set out the Primary Considerations that are under the scope of the SCR, including the potential for a Balancing Energy Market, and a move to combine production and consumption energy accounts. The group discussed the interaction between the balancing mechanism and Ofgem's liquidity project, with one group member highlighting that improved liquidity could improve opportunities for companies to self-balance. Phil Slarks agreed, but noted that, to date, the liquidity project had

focused on longer-dated products, with market participants reporting fewer problems in near-term markets. There was also agreement that a single cash-out price would capture some of the key benefits of combining production and consumption accounts.

- 3.3. There was a discussion of whether the Balancing Energy Market is more similar to a Prompt market or part of the Balancing Mechanism. David Birchby suggested that this would depend on the design of the BEM, but that one option proposed could be closer in essence to a prompt market. One group member asked whether further detail on the Balancing Energy Market would be available before the end of the consultation. Ofgem representatives acknowledged the requests for further detail and that they were taking these forward and considering what the most appropriate way could be to share these with stakeholders. It also noted that it may be unlikely that these could be provided before the end of the consultation period as the team were currently focused on the continuing engagement with stakeholders.
- 3.4. A member of the group suggested that the consultation contained many of the same proposals as the "Issues" paper published by Ofgem last year. Ofgem representatives explained that while the Issues paper had set out a wide scope of possible considerations regarding the market the current consultation focused on the most significant areas more specifically and has also moved forward to suggest the development of policy packages.
- 3.5. David Birchby noted that the Initial Consultation is open to responses until the 24th October and welcomed responses. He also highlighted that there would be two further stakeholder events and group members would be welcome to attend. Any parties wishing to attend should contact Phil Slarks in the first instance.

4. Agenda Item 3: Gas SCR – Update (Anjali Mehta/Thomas Farmer)

- 4.1. Anjali Mehta gave a brief update on the [Gas Security of Supply SCR \(PDF – link opens in a new browser window\)](#). The presentation outlined the Objectives of the Gas security of supply SCR and the proposed final decision.
- 4.2. The group had a discussion about the effects of the policy proposals on incentives for customers to sign interruptible contracts. Ofgem suggested that the incentives to sign interruptible contracts would be stronger but some members of the group disagreed.
- 4.3. Ofgem noted that they were still open to receiving material evidence that might affect their decision. A member of the group suggested that it was hard to provide evidence of a negative. Another group member noted that as cash out prices rarely reach the caps proposed at present, this may suggest that these measures aren't required. Anjali Mehta noted that as the dynamics of the gas market change, with lower domestic production and higher imports, the incentives would need to change to ensure secure gas supplies.
- 4.4. One group member noted the similarity between Ofgem's initial proposals and final proposals, suggesting that little progress had been made in the intervening period. Anjali Mehta argued that there had been a number of changes and that the proposal was now much more detailed with the latest consultation period featuring detailed business rules. She also noted that the proposed final decision was reached based upon feedback from market participants.
- 4.5. A group member asked how the measures would be monitored for success/failure after they had been implemented. Anjali Mehta responded by saying that information on interruptible contracts would be provided to National Grid under the Gas SCR proposals and that Ofgem could use this as part of monitoring the impact of the reforms.

- 4.6. Anjali Mehta noted that the current consultation closes on 24th October and responses were welcome before that date.

5. Agenda Item 4: Update from work stream 6 of the Smart Grid Forum (Mark Askew)

- 5.1. Mark Askew gave an update presentation on [WS6 of Smart Grid Forum \(PDF – link opens in a new browser window\)](#). The Presentation provided a background to the Smart Grid Forum and how it was established by DECC & Ofgem in May 2011, key topics of the forum and initial conclusions from the work of the group.
- 5.2. Among the key issues that the workstream has considered is who should bear the costs of network reinforcement triggered by existing domestic and small commercial customers connecting micro-generation and other low carbon technologies. A working assumption is that these costs would have to be socialised.
- 5.3. Another issue considered by the work stream is the opportunities for and barriers to DNOs approaching customers in relation to DSR services.
- 5.4. A member of the group voiced how they found it difficult to keep in touch with the developments of the work streams due to there being so many different work groups for different stakeholders. They emphasised the importance of considering consumers in work of this nature.
- 5.5. A member also raised the point that they believed there was a necessity for a mechanism to be put in place to govern the transfer of information between the different market participants (DNOs, NG, Suppliers, technology suppliers, consumer groups, academics, government and regulator). Along with this the group agreed that there was a need for further focus on the relationships between suppliers and DNOs. MA commented that the work stream would take a recommendation on exactly this type of work to the main Smart Grid Forum.
- 5.6. Mark Askew noted that the final meeting of the work stream would be on 9 October, and that it would make its recommendations on expanded terms of reference for the next phase of the group's work on 23 October to the Smart Grid Forum. Members were encouraged to get in contact with Phil Slarks if they had any further questions or would like to know more about the work of the group.

6. Agenda Item 5: EMR update (Tom Harper)

- 6.1. Tom Harper provided a verbal update to the group on the progress of the Government's Electricity Market Reform (EMR) programme.
- 6.2. The update explained how implementation of aspects of the package – particularly the FiT-CfD for low-carbon generation – would begin in 2014, and that the Government intends to provide an update on the development of the package before the end of this year. A further, more detailed update would follow in Spring/Summer 2013.
- 6.3. A member of the group voiced substantial concerns over the capacity mechanism and how it will facilitate demand-side response. They explained that the consideration of demand-side response in the design of the capacity mechanism to date has been very high level. Some DSR providers fear that they won't fully know the details of the capacity mechanism until it is too late to influence the policy and it is being implemented. Tom Harper explained that more detail on the issue would be available in May 2013.

6.4. This discussion was constrained by time – however, members were encouraged to get in contact with Phil Slarks if they had any further questions.

7. Agenda Item 6: Other Ofgem Issues

7.1. Phil Slarks drew the group's attention to the [Other Issues Note \(PDF – link opens in a new browser window\)](#). In particular he highlighted work commissioned by Ofgem to investigate the potential for DSR in the non-domestic sector. He also asked about group members' recent experiences of data provision through the National Grid website – one group member suggested that the availability of this data was not really a significant issue until Winter.

8. Agenda Item 7: Any Other Business and date of the next meeting

8.1. The next meeting is planned for around 3 months time (mid-January 2013).