

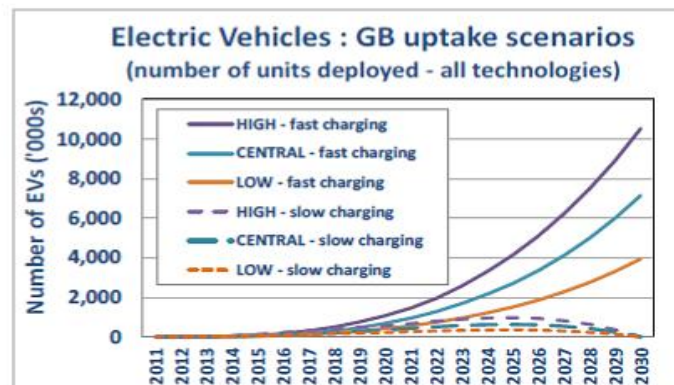
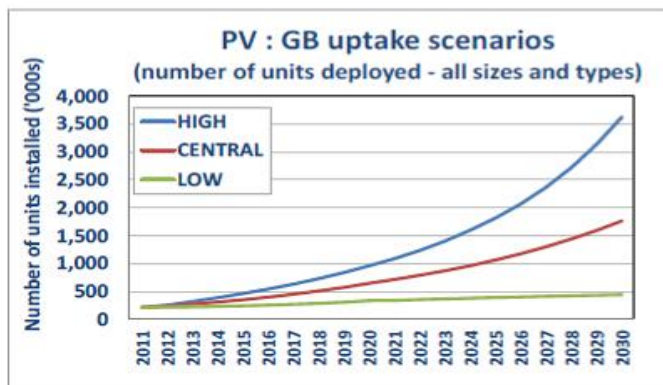
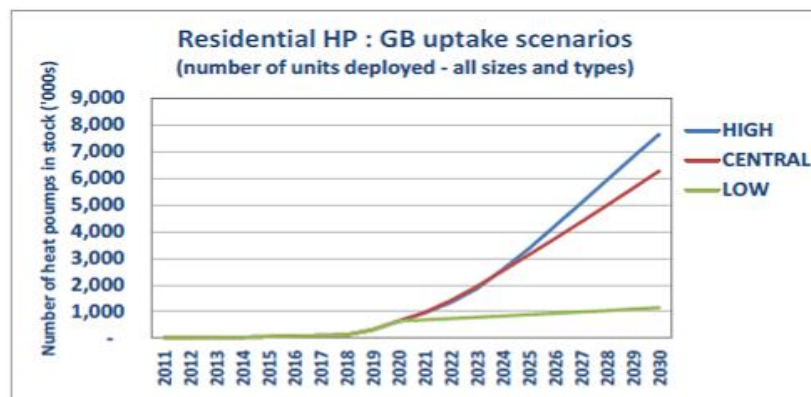
RIIO-ED1 & demand side response

Ofgem DSR Autumn Event
20 November 2012
Mark Askew

Context for RIIO ED1

ED1 will run from April 2015 to March 2023

Uncertainty over the demands required from the network in this period & beyond



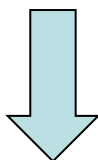
Makes business planning for an 8 year period difficult – risk of stranded assets or to security of supply

Role of DSR in ED1

Currently

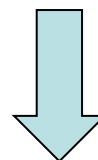
Over £120m of customers' money invested in LCN Fund trials exploring DSR

Learning being produced and feeding into RII0-ED1



ED1

Expect DNOs to
utilise learning in
ED1 business
plans



ED1

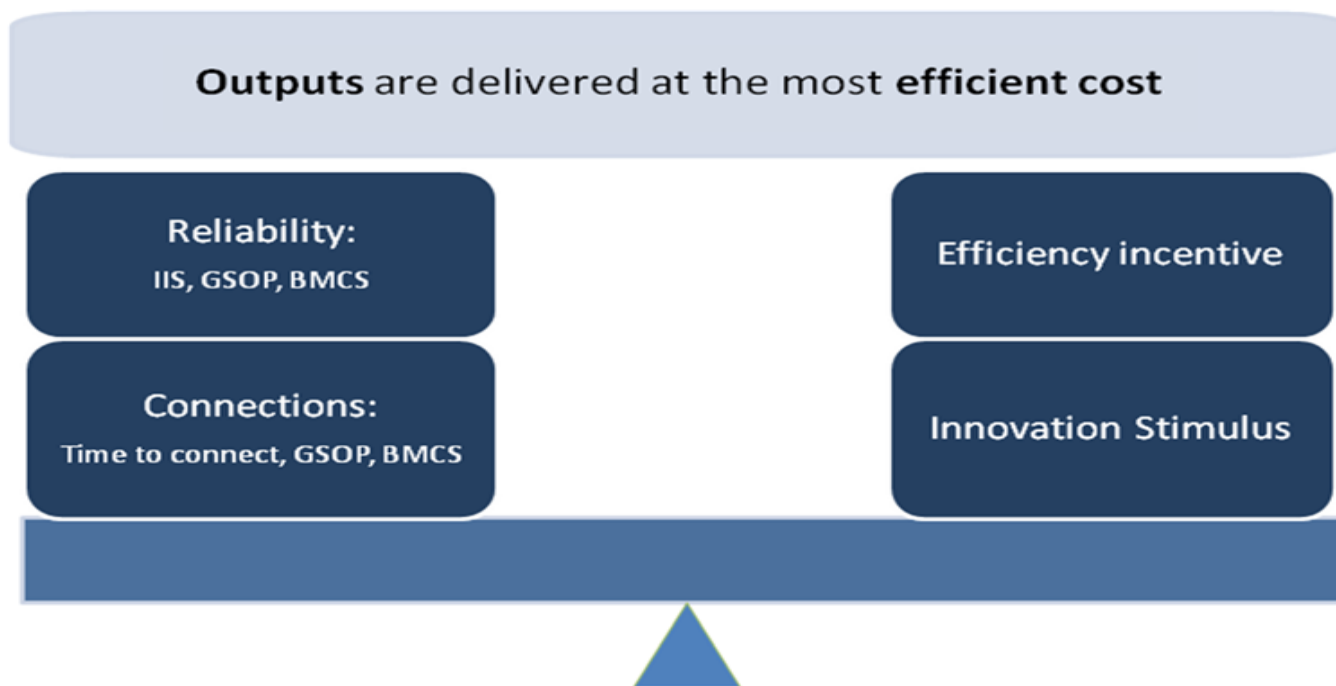
DSR likely to be useful to DNOs in 2 ways:

1. Act as lower cost alternative to accommodate new load or generation
2. Can delay the need to take investment decision until there is greater certainty

DNOs will choose how they use DSR to help deliver outputs at lower cost

Outputs & Incentives

Proposed high level framework in September consultation:



DNOs incentivised to use DSR where it can maintain reliability or connect new customers more quickly and at lower cost

Removing barriers to DSR

- To ensure that where DSR provides benefits, parties can use it
- Work stream 6 of the Smart Grids Forum examined regulatory and commercial barriers to deploying smart grids incl. DSR

Conclusions on barriers to DSR for DNOs

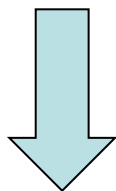
1. There are relatively few – DNOs already using it!
2. Some technical specifications may need updating – ER P2/6
3. Connection charging rules may need slight amendment

These are mainly for industry to take forward, the work stream will monitor progress on addressing them

The work stream has also identified a need to assess barriers and the need for commercial enablers from a broader perspective

Structure of distribution charges

ED1 consultation proposes socialising costs of accommodating additional load and generation at existing domestic premises until sufficient smart metering data is available



Recognise that this may reduce incentive for DSR with DNOs as 'means of connection'

Number of separate issues being progressed



1. How this proposal could be implemented efficiently
2. Achieving upfront notification of where new low carbon technologies are connecting
3. Ensure that there is an incentive on customers to manage electricity usage

Part 3 could be a wider structure of charges project to recognise contribution to peak capacity & incentivise DSR via UoS charges. Requires sufficient smart metering data.



Promoting choice and value
for all gas and electricity customers