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Smarter Markets  
Ofgem  
9 Millbank  
SW1P 3GE

## **Re. Creating the right environment for demand-side response**

Dear Sir / Madam

Our responses to the questions raised are as follows:

Question 1: Are there any additional key challenges associated with revealing the value of demand-side response across the system? If so, please identify and explain these challenges.

**No additional key challenges to add. This is well covered by the other bodies of work around this subject.**

Question 2: Can current regulatory and commercial arrangements provide the means to secure demand-side response being delivered? If not, what will regulatory and commercial arrangements need to deliver in future?

**Again, this is well covered by other bodies of work but we do not believe the existing arrangements provide the means to secure demand side response. The interactions between 3<sup>rd</sup> parties and approach by service providers need to be standardized. Smart metering is a key enabler to standardize the monitoring and verification requirements.**

Question 3: Is current work on improving clarity around interactions between industry parties sufficient? If not, what further work is needed to provide this clarity?

**Negawatt has had limited visibility of the work in this area but it appears to be well covered and understood. Clarity and standardization also needs to be provided on a national basis for granting paralleling permissions for larger sites which incorporates timescales and costs. This is largely deregulated at this stage and varies across the regions.**

Precondition 2

Question 4: Are there any additional key challenges associated with effectively signaling the value of demand-side response to consumers? If so, please identify and explain these challenges.

**This is well covered by other work. Our suggestions are detailed in the following questions.**

Question 5: Do you agree that signals to customers need to improve in order for customers to realize the full value of demand-side response? Does improving these signals require incremental adaptation of current arrangements, or a new set of arrangements?

**Yes signals need to improve to reach full potential. Existing systems for larger I&C customers are working and the only changes required are to simplify / align the interaction between different parties.**

**We believe the easiest route to address the SME and Domestic sectors sits with the energy supplier. The consultation details the relative lack of market awareness (or visibility) of energy buyers in this segment and then expects them to understand pricing signals to components they didn't know existed. Rather than just offer ToU tariffs suppliers could offer DSR optimized lower tariffs (as in the US) in return for consumer participation. Here load limiting or direct control could be deployed without the need for customers to fully understand the pricing / signal components. Consumers would have a framework allowing a number of signals/events for an agreed capacity and the supplier could average this in a similar way to the supply charge structure today. This could also pave the way for incremental changes to current arrangements rather than holistic changes. This of course assumes that precondition 1 is fully met, understood and potential is tangibly modelled.**

Question 6: To what extent can current or new arrangements better accommodate cross-party impacts resulting from the use of demand-side response?

**We believe the approach outlined for SME & Domestic is Q5 will ease the cross-party impacts.**

Precondition 3

Question 7: Are there any additional key challenges associated with customer awareness and access to opportunities around demand-side response? If so please identify and explain these challenges.

**We believe this is covered by the other bodies of work and would also be mitigated by our response to question 5.**

Question 8: Is any additional work needed to explore the role of third parties in helping customers to access and assess demand-side response offerings?

**Again this appears to be covered by other programmes of work although, as third party operating on the DSR space we have had little involvement.**

Conclusion

Question 9: Are there additional preconditions for delivering the right environment for demand-side response? If so, please explain what these are and why they are important, as well as attaching a priority relative to those challenges we have already identified.

**The outcomes of other consultations will have a huge bearing on the success of DSR in the UK. The co-dependencies and timings need to be clearly mapped and considered.**

Question 10: Do you agree with the priority and timing we have attached to addressing each of the key challenges identified above?

The priorities and timings appear logical although some consumer engagement work should be given higher priority. If consumers lack the awareness or understanding pre-condition 1 and 2 become largely industry change. DSR will be more successful if consumers have had the opportunity to enrol rather than inherit a new pricing mechanism.

In response to the 2 models outlined Negawatt agrees it is unlikely and impractical for consumers to contract with all parties in the supply chain independently (other than large I&C consumers as is the case today). We have no strong opinion on whether a single platform should be used but some form of intermediary / service will be necessary. As outlined in Question 5, it is our belief that the best consumer interaction will sit with the energy supplier for the mass markets.

Yours faithfully

David Peake  
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Negawatt Business Solutions