

SGF Work Stream 6

Scope of work for subgroups

1. Introduction

Work stream 6 is seeking to assess the ways in which customers can be encouraged to move some of their consumption away from peak times to help delay or avoid the need for DNOs to undertake reinforcement. It has a four stage work programme. Stage one, developing a number of options for consumer engagement with smart grids has been completed. Stage two, to develop the roles and relationships for relevant parties under different options for these roles, has also been completed. The next stage is to scope out the commercial arrangements required for each option. In the last stage, the work stream will assess the defined options against the current regulatory and commercial framework to identify where there are barriers or gaps and where enablers are required. The work stream has established a number of sub groups to help progress this work.

The Smart Grid Forum vision and routemap identified a number of gaps and actions which should be taken to help progress the development of smart grids in GB. Some of these gaps relate to customer participation which has links to the work undertaken by WS6. WS6 has mapped these gaps and identified which are beyond the scope of the work stream and which fall within scope. In a number of cases, the gaps will be covered by the next two stages of the work stream's work.

The work stream has an ambitious work programme with tight deadlines for delivery. Consequently it has taken care to review the gaps in the routemap and to consider which fit neatly within the existing programme and which would expand the scope in a manner which would endanger delivery.

2. Identification of gaps

The vision and routemap identified several gaps on the customer's engagement with smart grids which could be taken forward by WS6. In the majority of cases, the areas identified in the report are covered by the next stages of the work stream's work. The following lists the gaps that have been identified by the vision and routemap:

- i) Further understanding of factors which influence customer behaviour and what incentives are needed to achieve lasting change to ensure consumer offers are tailored to customer needs
- ii) Improve understanding about who is best placed to engage and inform consumers to help them participate in new smart electricity markets
- iii) Explore the opportunities to articulate the wider benefits of smart grids alongside the roll-out of smart meters with the Smart Meter Central Delivery Body
- iv) Improve understanding of how best to balance benefits among active 'smart' customers and the customer base as a whole
- v) Explore different smart pathways to deliver DSR and examine the commercial and regulatory arrangements and requirements for consumer engagement

3. Gaps assessed by the work stream that will be addressed through future stages of the work

We consider that the following gaps, or parts of them, identified by the vision and routemap are covered within the scope of work stream 6:

- i) ***“Further understanding of factors which influence customer behaviour and what incentives are needed to achieve lasting change to ensure consumers offers are tailored to customer needs”***

We consider that part of this relates to understanding how customers respond to price signals, including ‘smart’ tariffs. An assessment of this will be undertaken as part of incorporating the learning from LCN Fund projects. Work stream 6 continues to ensure that learning from the LCN Fund trials is incorporated into its analysis. It has already held a series of bespoke workshops to capture the relevant learning. Going forward, we have established a Consumer sub group of work stream 6. This group has been set up to ensure that the commercial arrangements developed for each option have been considered from a consumer perspective. Examining the factors which influence customer behaviour is explicitly within the terms of reference for the Consumer subgroup.

Specifically, the subgroup will:

- a) Examine each smart grid option in the work stream 6 report from a consumer perspective against the various consumer types identified by the work stream and highlight key customer issues. The group will identify which options may be unviable without consumer protection measures being put in place and will define what these measures may be. The sub group will undertake this (or assess as many options as possible) and update the wider group at August meeting
- b) Analyse the factors that influence consumer behaviour (including on the assessment of learning from the LCN Fund projects) and identify the incentives that are needed to achieve lasting change to ensure consumer offers are tailored to customer needs. The group will organise a series of LCN Fund workshops and will update the work stream at the September meeting.
- c) Consider the commercial arrangements between each party and the domestic consumer for each option (for the October meeting).

Learning from projects outside of the LCN Fund may also be incorporated. For example the sub group will pick up lessons from the Citizen’s advice bureau’s ‘Extra Help Service’ and papers produced by Sustainability First.

- ii) ***“Improve understanding about who is best placed to engage and inform consumers to help them participate in new smart electricity markets”***

As part of its work on roles and relationships, the work stream has started to consider the role which third parties such as aggregators, local councils or others can play in regard to customer interaction. This will be taken forward further as the work stream considers commercial arrangements. This will include who is best placed to engage with a customer and what the relationship between the consumer and industry parties should look like. The work stream will consider the commercial arrangements between each party and the domestic consumer for each option. This analysis will be presented at the October meeting.

iv) "Improve understanding of how best to balance benefits amongst active 'smart' customers and the customer base as a whole"

As part of the work in developing the commercial arrangements, the work stream has been looking at where value from DSR lies across industry parties. A distribution of value sub group has been formed to take this work forward and provide insights into the distribution of value as a key input into the development of commercial arrangements. This will also leverage learning from the LCN Fund trials.

Once the distribution of value subgroup has provided some high level views on where value of DSR lies between industry parties, it will examine the mechanisms in place to ensure this value is measured and returned to customers. This will include the wider customer base as well as the customers providing a response. The subgroup is due to complete this work by the end of October 2014.

v) "Explore different smart pathways to deliver DSR and examine the commercial and regulatory arrangements and requirements for consumer engagement"

This issue is part of the core purpose of work stream 6 and will be covered in full. The work stream is progressing this work and has already completed stage one, developing options or pathways to deliver DSR. The next stage of this work will examine the commercial and regulatory arrangements that are required for effective consumer engagement.

4. Gaps assessed by the work stream as falling outside of scope

We consider that the following gaps, or parts of them, identified by the vision and routemap do not fit within the scope of work stream 6:

i) "Further understanding of factors which influence customer behaviour and what incentives are needed to achieve lasting change to ensure consumers offers are tailored to customer needs"

While the work stream is at least partially addressing this issue (see above), we consider that part of the work required to assess this gap in full requires a review of broader retail market policy. This, along with a detailed look at the simplicity of retail tariff offerings is beyond the scope of the work stream. Neither does the work stream plan on undertaking a detailed behavioural analysis of engagement with consumers, including vulnerable consumers. We consider that this is a significant undertaking and could not be done by the work stream alongside the other work it is progressing.

iii) "Explore the opportunities to articulate the wider benefits of smart grids alongside the roll-out of smart meters with the Smart Meter Central Delivery Body"

The work stream does not intend to cover this point in a detailed way. WS6 should be aware of potential risks and opportunities of the smart meter rollout for informing consumers and their perspectives on smart grids. Its role is to propose options which can help industry maximise the benefits of smart meters. It is up to the smart grid forum to determine how these should be taken forward.

5. Mechanism

WS6 has put together several subgroups which will seek to take forward this work, where appropriate. These subgroups will have clear deliverables and provide a series of inputs into the main work stream. This work will contribute to the Third Annual Report.

These subgroups are as follows:

- Distribution of Value subgroup
- Consumer subgroup
- Smart Metering Data subgroup
- Visibility subgroup
- Storage and Distributed Generation subgroup
- Community Energy subgroup