

Please reply to :

Judith Ward, Director, Sustainability First

Email : judith.ward@sustainabilityfirst.org.uk

Nisha Doshi
Smarter Grids & Governance Team
Ofgem
9 Millbank, London SW1 P 3GE

19 May 2015

Dear Nisha,

Ofgem consultation on Successful Delivery Reward Applications of Low Carbon Networks Fund Projects

I am responding to this Ofgem consultation, in connection with the application by Northern Powergrid for a successful delivery reward.

First, I wish to make clear that Sustainability First was a contractor to NPG for ‘expert challenge’ and for ‘knowledge share’ on the CLNR project on an ad hoc basis from early-2011 to end-2014, including authoring two project papers. However, this letter does not stem from our direct involvement in the CLNR project, nor reflect our insight on the project.

Instead, in response to the Ofgem request for views, this letter relates to the very helpful support received by Sustainability First via the CLNR project from Northern Powergrid to set up our major and very highly-regarded three-year multi-partner project on the electricity demand-side : **‘GB Electricity Demand – *realising the resource*’**.

Sustainability First is a registered charity and an environmental think-tank. Since 2005, Sustainability First had conducted a series of multi-partner studies concerning household smart meters, energy efficiency, and the energy demand-side, with a particular focus on consumer and customer issues. In 2010, we had identified the need for a major, systematic study of the GB electricity demand-side, to look in-depth at the customer & consumer, commercial, regulatory and

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policy issues, to try to understand the economic potential of the electricity demand-side across all sectors of the economy, and the potential benefits to customers and market actors alike, as well as the main barriers and obstacles to active customer participation in different parts of the GB electricity markets. It is fair to say that at this point, the electricity demand-side remained something of a ‘black-box’, and, as surprising as this now seems five years later in 2015, no other organisation was looking at these issues in-depth and in the round.

Sustainability First approached several distribution companies to explain that our proposed first-of-a-kind GB Electricity Demand project could be highly relevant to their practical LCNF project, by providing wider context and understanding.

We were therefore very delighted when Northern Powergrid agreed to take the risk of incorporating a full first-year budget for the proposed GB Electricity Demand project in their Tier 2 CLNR project-bid. From the perspective of Sustainability First, this was an innovative, far-sighted and ‘inclusive’ step to collaborate with other actors and to understand alternative perspectives – especially given other demands of a major Tier 2 bid.

The year-1 support from Northern Powergrid enabled Sustainability First to get the project off the ground and thereafter to have the facility to put together a full sponsor-group for years 2 & 3: in the end there were thirteen paying project partners (including four networks, three suppliers, representatives of equipment manufacturers and the communications sector, Ofgem & the settlements administrator) – together with DECC, three household consumer bodies and one large industry consumer body – all actively participating in our quarterly Smart Demand Forum meetings for three years – and through which the work and the outputs of the project were coordinated.

The GB Electricity Demand project has three very significant and identifiable outcomes :

- **Thirteen substantive, in-depth and systematic published project papers.** These continue to be a widely-used resource – by policy-makers, companies, innovators and academics alike – mostly in GB (but also elsewhere) – all available at www.sustainabilityfirst.org.uk.
- **The ‘collective journey’ made by the Smart Demand Forum and its members – and active communication of key findings and lessons of the project to a wider audience.** This included getting to grips with many issues of principle around smart electricity consumers (including safeguards) as well as the detailed commercial and regulatory issues

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which will in due course enable / facilitate the electricity demand-side in GB. The wider level of understanding among market actors, consumer bodies and other interested parties is now certainly better informed due to some of our project findings.

- **Drawing upon emerging empirical LCNF lessons** - over the three years of the project, we actively drew upon the practical experience and other expert inputs of our sponsor group. Very valuably, this included drawing upon emerging lessons from the LCNF projects being led by the DNOs on our sponsor group (i.e. NPG, UKPN & SPEN).

So, in conclusion, Sustainability First was fortunate that Northern Powergrid took the risk in their CLNR bid that our GB Electricity Demand project would complement their own LCNF project well. For our part, we delivered well on all our project commitments - and by so-doing were able to inform both NPG and others, including other DNOs, about the evolving wider electricity demand-side picture throughout the course of the CLNR and other LCNF projects. This in turn meant that while NPG concentrated on the practical delivery and lessons of their own project, they at the same time had helped to create an additional benefit : namely that of being well-informed generally about emerging demand-side issues by being able to tap-into a larger demand-side picture, in a standing forum with other relevant and informed demand-side actors, via the Sustainability First project.

Yours

Judith Ward

**Judith Ward.
Director.
Sustainability First**

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