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Dear Anthony,

**National Grid Electricity Transmission's (NGET) Market Facilitation Activites, unfunded by the RIIO-T1 regulatory regime**

Please find attached revised narrative and supporting spreadsheet associated with delivering demand side management activities which are unfunded under RIIO-T1. As discussed and agreed between us this submission seeks to address the issues raised by you in the various telephone conference calls that we have held over recent weeks. Also as agreed a DAG assessment will follow.

Demand Side Response (DSR)

Our work on stimulating the Demand Side Response (DSR) market, more commonly known as "Power Responsive" <http://www.powerresponsive.com/> has been very well received by stakeholders. Power Responsive is driving forward increased awareness of the role demand side needs to play in meeting future energy balancing requirements as economically and efficiently as possible for consumers.

Unfunded Activity

The cost for delivering DSR market facilitation activities to 2018/19 is forecast to be £2.6m. This sum is £0.5m lower than the numbers indicated in my letter of 6 April 2016. Details of the DSR Power Responsive activities are set out in the Appendix below and the supporting spreadsheet provides details of the cost breakdown. We would be happy to take you through the differences in the original and revised submissions or address any other questions you may have.

We look forward to your consideration of our submission for DSR/SBR and DSR funding. In the meantime if you have any questions please do not hesitate to contact me. .

Yours sincerely,

[by email]

Andy Balkwill  
RIIO Performance Manager – Electricity Transmission  
National Grid Electricity TransmissionAttachments:

## Appendix – Internal Costs Relating To The Development of Demand Side Response

Power Responsive is a programme of work led by collaborative stakeholder engagement, facilitated by National Grid as System Operator. The aim of the programme is to drive growth of Demand Side Response (DSR) participation in GB Energy Markets. This covers participation in all markets, not just Balancing Services. As such it is activity which National Grid is delivering on behalf of the industry.

As System Operator we initiated “Power Responsive” proactively as there was recognition that growth in DSR hadn’t materialised at the scale which many in industry thought it may have done by 2015. When looking at the future of flexibility on the electricity system, the need to drive for growth in DSR in the short-medium term was clear, and National Grid has developed Power Responsive to drive this in a collaborative way with stakeholders from across the value chain.

Power Responsive has two key roles to play in driving DSR growth:

- Leading on raising awareness and engagement for industrial and commercial businesses to the opportunities available through DSR. Ensuring this happens in a collaborative and coordinated way.
- Influencing those industry stakeholders who are responsible for the routes to market that are necessary for DSR to utilise, ensuring these are designed to create a level playing field for both the demand and supply side. This role is ensuring that industrial and commercial business stakeholders have a strong voice within the energy industry.

The additional resource is required to meet the established plan of promotion and stakeholder engagement activities which have been planned as activity above, and goes above and beyond, ‘business as usual’ for the System Operator. Therefore additional resource is required to ensure this can be delivered effectively.

### Financials

Summary of cost and benefits of the program over the operating plan period covering 2015/16 to 2018/19.

#### Direct Costs

	2015/16	2016/17	2017/18	2018/19	Total
Staff	██████████				
Management Oversight	██████████				
Consultancy	██████████				
Events/Marketing	██████████				

All costs to date and forecast are in respect of internal staff. No IS or legal costs are currently anticipated.

### **Staff Summary**

#### **2015/16**

- 1xBand D, starting April 2015. Role is to be the person responsible for management of the programme, managing both internal and external resource to ensure successful delivery.

Specific outputs:

- Responsible for delivery of the full Power Responsive programme.
  - Strategic positioning and planning for Power Responsive.
  - Planning resource to ensure delivery of engagement programme of events.
  - Delivery of external engagement at variety of customer-focused events.
- 1xLevel 7, starting March 2016. Role is to deliver marketing activity associated with the Power Responsive programme. Specific outputs:
    - Delivering engagement activity, planning for events.
    - Preparation of material supporting event delivery and planning.
    - Preparation of material for external engagement activity.

#### **2016/17 Onwards**

The two roles as outlined and described above will continue.

### **Consultancy Summary**

Consultancy is used in Power Responsive for two key purposes:

- Involvement of external specialist strategic planning support to ensure the programme continues to be stakeholder-led and organised around customer needs.
- Specialist support on the planning, design and delivery of engagement activity, including secretariat for Power Responsive Steering Group.

#### **2015/16**

Consultant outputs:

- Sustainability First [primary support] (providing a neutral, customer-focused view and expertise on demand side):
  - Strategic consultancy on programme and events.
  - Steering Group strategic planning and secretariat support. as well as supporting delivery of material.
  - Summary documents for all major external events.
- Other Consultant outputs:
  - Framework and design for second phase of online website.
  - Strategic support on vision and strategy for DSR in reference to future flexibility.

#### **2016/17 Onwards**

For ongoing consultancy support, the cost has been reduced due to some activity being delivered by internal resource to ensure continued cost effective use of consultancy time. Key outputs defined as follows:

- Planning support for ongoing engagement and workshops to ensure continued successful design and delivery.

- Production of summary material and documentation from events in addition to delivery of customer focussed information material.
- Secretariat support for Power Responsive Steering Group.

### **Events/Marketing Summary**

Key deliverables have been achieved under Power Responsive through the output of events and information material which underpins the core activity of delivering increased awareness and engagement of the opportunities for business customers in DSR.

#### **2015/16 (£443k)**

- £370k of this spend is allocated to the one-off spend incurred for design and launch of Power Responsive as a programme. More specifically:
  - £190k on launch event for delivery of the June 2015 conference; includes cost of venue, event material, planning support, event management support.
  - £180k on design and establishment of Power Responsive brand; includes cost of:
    - Brand and associated visual identity
    - Design elements to be used for delivering engagement such as presentation material, exhibition banners
    - Design and build of Power Responsive website
    - Design and build of launch animation explaining DSR as concept for business customers.
- Remaining £70k is ongoing spend on engagement material and events which will be an ongoing cost element. Outputs:
  - Product map infographic
  - Comprehensive DSR guide in collaboration with Major Energy Users Council
  - Cost of securing and designing advert space in trade media, for example The Energyst.
  - Cost of ongoing exhibition attendance and material delivery at other stakeholder events to appeal to wider business customer audience.

#### **2016/17 Onwards**

Outputs included in ongoing annual budget for events/marketing:

- Annual Power Responsive conference delivery
- Sector specific workshops to be held throughout the year
- Working groups to be held with DSR participants and other flexible technologies, ie storage.
- Continued delivery of information material
- Continued use of trade media for specific audience awareness raising

### **How we have engaged**

- Established a Power Responsive Steering Group, featuring 17 organisations across 13 sectors. The group ensures the campaign is truly stakeholder-led.
- Brought together 100 senior business leaders, decision makers, policy creators and energy experts for a debate on key issues in order to launch the programme and set up the initial work streams.

- Supported this with online engagement through our tailored Power Responsive website, which provides videos, resources, case studies and webinars on the key issues that underpin the campaign.
- Developed sector-specific engagement plans for the industrial and commercial sector. For example, we attended the Haven Power Forum to discuss the role of DSR and opportunities.
- Held three webinar events to focus on specific stakeholder concerns and needs.

### Outcomes so far

- Industrial & Commercial businesses now have a clearer route into DSR.
- The campaign has put DSR at the forefront of thinking with energy decision-makers including Ofgem, DECC and suppliers.
- The campaign has become the voice of the stakeholders – highlighting barriers to entry such as lack of awareness and understanding; lack of financial incentives to entice businesses to take part. These blockers are now being worked on.
- The market is being opened to more participants.
- Key information material published; product map infographic and comprehensive guide to DSR in collaboration with Major Energy Users Council.

### Measures

- Over 700 individuals now working with us on Power Responsive; actively subscribed through our website.
- Over 20 business case studies hosted on website to showcase those already taking part in DSR and how they are benefitting.
- 2 new DSR products developed as a result of stakeholder feedback; Demand Turn-Up and Enhanced Frequency Response.

### Supporting Spreadsheet



DSR Business Plan  
Allocations v2 submit