



Open Utility Ltd (trading as Piclo)
35 Holland Grove
London, SW9 6ER
Tel: +44 788 060 3378
Email: team@piclo.energy

Jon Parker

Head of Electricity Network Access
Ofgem, 10 South Colonnade,
Canary Wharf, London
E14 4PU

Access Rights and Forward Looking Charges

18th September 2018

Dear Jon,

Thank you for the opportunity to respond to Ofgem's consultation on access rights and forward looking charges.

I am the CEO and co-founder of Piclo. We are an independent software company based in London with a mission to solve the energy trilemma. Although we have limited resources to respond to all the questions in the call for evidence, we recognise that some contribution however small could be valuable.

We have been deeply involved with the UK energy transition across networks, generation and retail over the past 5 years. We were the first company in the UK to develop a peer-to-peer energy trading scheme, which was initially developed in 2015 with funding from DECC and trialled in partnership with Good Energy. In 2016, we commissioned Reckon LLP to draft a DCUSA change proposal to modify the CDCM to reflect the value of locally sourced energy. In 2017, in a project sponsored by Western Power Distribution, we drafted a report to compare different local grid charging models, including locational DUoS charges and virtual private wire models. Finally, in 2018 with funding from BEIS we set up and are running the first pan-UK DSO flexibility marketplace in collaboration with UK Power Networks, Scottish and Southern Electricity Networks, Electricity North West, Northern Powergrid and Scottish Power Energy Networks.

We can bring a breadth of relevant experience. We have first hand experience with the complexities and subtleties of many of the commercial considerations proposed in the consultation; we have unique insights from working with 6 of the UK DNOs; and finally, we

bring a fresh perspective as a young software company which has user-centred design and scalable processes in our DNA.

Finally, I want to emphasise our support for the proposed review. We believe that the changes outlined in the call for evidence are of fundamental importance to the timely decarbonisation of the UK energy economy. Furthermore, from our many conversations with regulators and network operators across the globe, we know that this review has the eyes of the world. **This is not just a once-in-a-generation opportunity for the UK, but if done right, could become the blueprint for decarbonising the global economy too.**

I hope that Ofgem take our response as an offer for further dialogue. We are more than happy to meet to share our experiences at this crucial time for the UK and global energy sector.

Question 1: Do you agree with the case for change as set out in chapter 2? Please give reasons for your response, and include evidence to support this where possible.

We agree with the three priority areas as outlined in chapter 2.

Current DNO charging models and access rights were defined for a centralised energy system. The transformation towards a decentralised and decarbonised energy economy requires new commercial structures which better reflect the value and cost that participants give and take from the energy system.

However, we do not think there enough of an emphasis on the role of digital technology as an enabler for change. *(In the whole consultation, the word “digital” does not appear a single time).* The capability of digital technology will have a meaningful impact on how the new commercial structures can be implemented. There is an underlying theme that complexity is a barrier (e.g. see sections 3.32, 3.42, 3.44, 4.14 and 4.31). This misses a key point, that digital technology can simultaneously manage highly complex systems whilst simplifying the interface for consumers.

Question 2: Do you agree with our proposal that access rights should be reviewed, with the aim to improve their definition and choice? Please provide reasons for your response and, where possible, evidence to support your views.

We agree that access rights should be reviewed with the aim to improve their definition and choice.

Question 3: Specifically, do you have views on whether options should be developed in the following areas as part of a review? Please give reasons for your response, and where possible, please provide evidence to support your views:

a) Establishing a clear access limit for small users, with greater choice of options (as considered under b) and c) below) above a core threshold – do you agree with our proposal in paragraphs 3.5-3.10 that this should be considered? Do you have views on how a core threshold could be set?

We agree in principle, but cannot comment on specific details. The only robust way to develop the specific details will be through trialling and testing with real customers.

b) Firm/non-firm and time-profiled access – do you agree with our proposal outlined in paragraphs 3.15-3.21 that these options should be developed?

We agree in principle, but cannot comment on specific details. The only robust way to develop the specific details will be through trialling and testing with real customers.

c) Duration and depth of access, discussed in paragraph 3.25-3.32-would these options be feasible and beneficial?

Developing these options might be feasible and beneficial.

Further to our comment in question 1, we do not think that administrative complexity should be cited as a reason not to explore an option (e.g. see section 3.32). We have such capability (and so do many other platform providers) to manage complexity without increasing the burden on customers or DNOs.

We believe that Ofgem should put more emphasis on trialling options before removing them with blanket statements such as “this could introduce significant complexity”.

d) At transmission or distribution in particular, or are both equally important – as discussed in this chapter?

We agree in principle, but cannot comment on specific details. The only robust way to develop the specific details will be through trialling and testing with real customers.

Question 4: Do you agree with the key links between access and charging we have identified in table 1? Why or why not? Do you think there are other key links we have not identified? Where possible, please provide evidence to support your views.

-

Question 5: Do you agree with our proposal that targeted areas of allocation of access should be reviewed? Please give any specific views on the areas below, together with reasons for your response. Where possible, please provide evidence to support your views:

a) Improved queue management as the priority area for improving initial allocation of access, as outlined in paragraphs 3.41-3.44?

We agree in principle, but cannot comment on specific details. The only robust way to develop the specific details will be through trialling and testing with real customers.

b) Not to consider the potential role of auctions for initial allocation of access as part of a review at this time, as discussed in paragraph 3.44?

We do not agree. One of the barriers cited was complexity and lack of market liquidity. This assumption should be tested more thoroughly before it is rejected.

We are happy to provide Ofgem with visibility of our Piclo Flex platform (which can be accessed at <https://picloflex.com/>) which is specifically trying to increase liquidity of local flexibility markets.

c) To review the areas outlined in paragraphs 3.45-3.48 to support re-allocation of access?

We agree in principle, but cannot comment on specific details. The only robust way to develop the specific details will be through trialling and testing with real customers.

Question 6: Do you agree that a comprehensive review of forward-looking DUoS charging methodologies, as outlined in paragraphs 4.3-4.7, should be undertaken? Please provide reasons for your response and, where possible, evidence to support your position.

We agree in principle. We have undertaken preliminary research in this area, and conclude that it could be economically efficient to tackle local network congestion through a locational DUoS charging methodology.

We also agree that there is merit in further exploring how the charges should be split between usage and capacity elements. We would look to Ofgem to suggest principles, but it is only through commercial trials with real customers that the specific details can be identified.

At this early stage, we are concerned with some specific suggestions made in section 4.3 regarding the approach to developing locational signals. It references developing different “zones” (eg ‘generation dominated’, ‘demand dominated’). We strongly believe that the assumptions behind these so-called simplifications are misguided. Creating artificial zones is likely to be more administratively burdensome than leveraging the natural topology of the networks themselves (as the artificial zones would need to be created and maintained).

A more robust solution would be to use the existing topology of the networks and use existing HH dataflows to evidence whether peers have netted off in a particular part of the network. Our Piclo Platform can already facilitate this type of peer-to-peer settlement using existing information on networks and customer connections readily available to the DNOs today. We are more than happy to demonstrate to Ofgem this capability and to participate in further discussions relating to this matter.

Our reports, prepared with funding from Western Power Distribution can be accessed here:

- **Exec summary report:** Local Grid Charging (<https://bit.ly/local-grid-charging>)
- **Main report:** Comparison of price incentive models for locally matched electricity networks
(<https://www.westernpower.co.uk/docs/Innovation/Other/Location-signals-report-18-12-17.aspx>)
- **Appendix A:** Study on local matching
(<https://www.westernpower.co.uk/docs/Innovation/Other/VPW-Appendix-A.aspx>)
- **Appendix B:** Understanding the current market for Network Replicating Private Wires (NRPW)
(<https://www.westernpower.co.uk/docs/Innovation/Other/VPW-Appendix-B.aspx>)
- **Appendix C:** Private Wires - Legal Definitions
(<https://www.westernpower.co.uk/docs/Innovation/Other/VPW-Appendix-C.aspx>)
- **Appendix D:** Virtual Private Wire model Regulatory Analysis
(<https://www.westernpower.co.uk/docs/Innovation/Other/VPW-Appendix-D-v2.aspx>)

Question 7: Do you agree that the distribution connection charging boundary should be reviewed, but not the transmission connection boundary? Please provide reasons for your response and, where possible, evidence to support your position.

-

Question 8: Do you agree that the basis of forward-looking TNUoS charging should be reviewed in targeted areas? If you have views on whether we should review the following specific areas please also provide these:

-

a) Do you agree that forward-looking TNUoS charges for small distributed generation (DG) should be reviewed, as outlined in paragraphs 4.19-4.23?

-

b) Do you consider that forward-looking TNUoS charges for demand should be reviewed, as outlined in paragraphs 4.24-4.27?

-

Please provide reasons for your response and, where possible, evidence to support your position.

Question 9: Do you agree that a broader review of forward-looking TNUoS charges, or the socialisation of Connect and Manage costs through BSUoS at this time, should not be prioritised for review? Please provide reasons for your response and, where possible, evidence to support your position.

-

Question 10: Do you agree that there would be value in further work in assessing options to make BSUoS more cost-reflective, and if so, that an ESO-led industry taskforce would be the best way to take this forward?

-

Question 11: What are your views on whether Ofgem or the industry should lead the review of different areas? Please specify which of SCR scope options A-C you favour, or describe your alternative proposal if applicable. Please give reasons for your view.

We agree that the SCR should have the narrower scope (Scope A). Ofgem should focus on supporting the complex and multifaceted issues relating to modifying DUoS and anything that relates to and impacts small users, including households.

However, it is still helpful for Ofgem to send a strong signal to the networks on the need to modify the other proposed areas (to ensure timely developments).

Question 12: Do you agree with our proposal to launch an 'Option 1' SCR for areas of review that we lead on? Please give reasons for your view.

We agree with an Option 1 SCR - that Ofgem directs licensee(s) to raise modification proposal(s). We believe that it is imperative that Ofgem focuses on setting out high level principles and lets the detail to be developed by industry through real life trials. Prescriptive regulation will be overly burdensome and could very quickly become out of date / redundant.

Question 13: Do you agree with the introduction of a licence condition on the basis described in paragraphs 5.11 and 5.12 and Appendix 5? Why or why not? Do you have any comments on the key elements set out in table 7 of Appendix 5a, or consider there are any other key elements which should be included? Please give reasons for your view.

We agree. However, as currently drafted there are no obligations for DNOs to undertake trials, which we believe to be a serious omission. It is imperative that Ofgem sets clear expectations that only solutions that have been trialed and tested can be brought forward to wider rollout and implementation.

In our experience, running a BEIS funded Local Flexibility Marketplace trial in collaboration with 5 UK DNOs, so much insight is gathered in the process of designing and setting up a real-life trial. We believe that Ofgem need to signal a willingness to provide derogations for large scale commercial trials and demonstrators. Furthermore, Ofgem should direct that these trials should operate as close to true commercial reality as possible.

Question 14: Do you have any comments on the draft wording of the outline licence condition included at Appendix 5b? Please give reasons for your view.

Further to our answer to question 13, there needs to specific mention of “commercial trials” or “commercial demonstrators” as a key component in developing and assessing options. This could possibly be added as an extension to clause 1.5(a).

Question 15: What are your views on our indicative timelines? Do you foresee any potential challenges to, or implications of, the proposed timelines and how could these be mitigated?

We believe that reallocation of access rights for large energy users could be progressed at a much faster rate than the proposed SCR timeline. Therefore, we agree with the indicative timelines as long as the SCR has a narrower focus, and reallocation of access rights falls outside the SCR scope.

Question 16: What are your views on our proposals for coordinating and engaging stakeholders in this work?

We think that there is a missing stakeholder group, one which is has a specific focus on supporting the development of trials, and can channel the results and outcomes back to the different task forces and forums.

We think that relying solely on committees to develop these highly important changes is missing a key component: real results from real trials. We believe that Ofgem’s Innovation Link is a good candidate for this crucial role.

Many thanks for the opportunity in responding.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Johnston'.

James Johnston
CEO and Cofounder
Piclo