ofgem Making a positive difference for energy consumers

Regulation enabling the energy transition

Louise van Rensburg
Energy Systems Transition

10th Cleanpower Smart Grids 2019,
1-2 July Cambridge, UK
www.cir-strategy.com/events

Implications of the changes to the energy sector

Opportunities from developments…

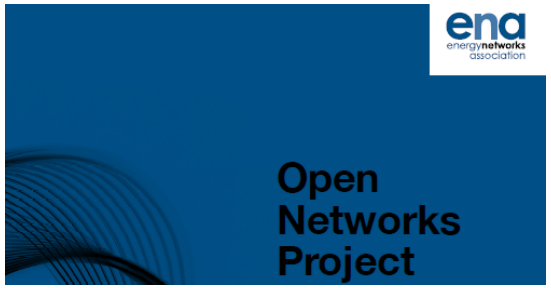
- New ways to manage networks efficiently, lowering costs to consumers
- New opportunities to earn revenue
- Fundamental to an achievable low carbon transition

..but new risks

- Wrong signals lead to inefficiencies in networks
- Barriers to market developments
- Poor coordination adding to complexity and delays

The size of the prize if we get it right is huge:
estimates range up to £40 billion off the cost of consumers bills to 2050

Since the Smart System and Flexibility Plan was published, we can see the green shoots….



power responsive
Demand Side Flexibility
Annual Report 2018

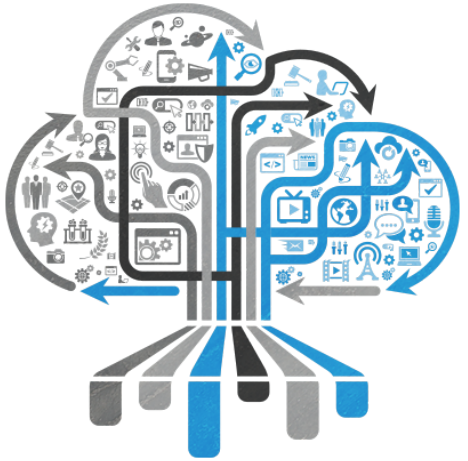
Forums starting to deliver better products for customers

And Participation of Demand Side Flexibility in Balancing Services is increasing

Community energy schemes helping to manage networks

DNO's tendering for flexibility

ENA published Flexibility Commitment



Innovation projects focussed on realising opportunities

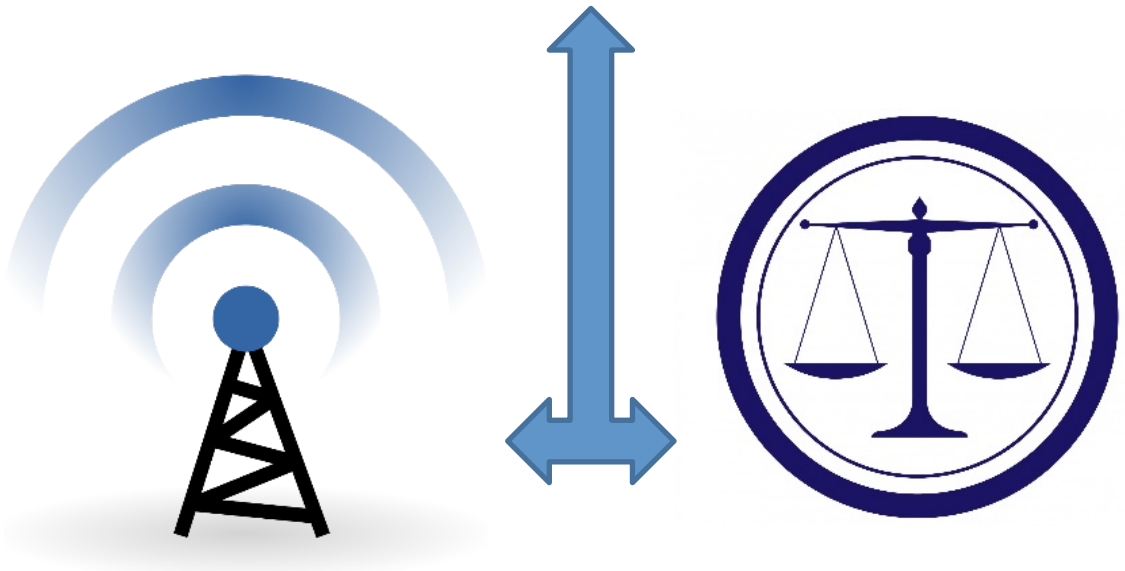
We want flexibility providers to realise the value they bring to the system.

Sources of value

Energy Balancing and Restoration

Network Management

Other sources of value



Effective **signals** to encourage efficient use

Arrangements to encourage efficient behaviour

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What we are doing to enable providers to realise the value they bring to the system

WHAT

Enabling effective **signals** to encourage efficient use

Arrangements to encourage efficient behaviour

HOW

- Price signal flexibility
  - ✓ Networks: Future charging and Access reforms
  - ✓ Retail: Smart meters, HHS
- Contracted flexibility
  - ✓ Balancing and ancillary services reforms
  - ✓ Network tenders/auctions

- SO/DSO reforms
  - ✓ Conflicts of interest
  - ✓ Key enablers, incl Data
  - ✓ Whole System Coordination
- RIIO2
  - ✓ Efficiency incentives, Competition, Innovation
- Retail Market reforms

Coordinating the strong interactions between these