

Smart systems and Flexibility plan: The Regulator perspective

Louise van Rensburg

Head of Flexibility and Whole Systems Coordination

energyst DSR event
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ofgem



- Context:
 - Ofgem's role as regulator
 - The changing landscape and what this means
 - Wider work
- DSR and the Smart Systems & Flexibility plan
 - Spotlight on issues affecting DSR

- Protecting current and future consumers
- Regulating monopolies
- Access to the system
- Making markets work for consumers
- Overseeing regulatory and commercial arrangements
- Being independent – thinking long term, providing stability



The changing energy system

Drivers

Decarbonisation

Technological
Change

Digitisation and
smart systems

Impact on the energy system

- Changes in the generation mix
 - Intermittent
 - Distributed
 - Less flexibility
 - More storage
- More active networks and demand side
- New large and uncertain loads
 - Heating
 - Evs
- Smart technologies

Impact on Regulation

Right incentives on
market
participants

Right incentives on
network
companies

Right framework
for system
operators

Right approach to
residual cost
recovery

*Facilitating change in the future energy systems is an important part of
our forward work programme*

for the regulatory framework governing the GB
electricity and gas system

Ensure a regulatory framework that drives innovation and supports the transformation to a low carbon energy system that delivers the sustainable, resilient, and affordable services that all consumers need.

Incentives on system operators and network owners that are aligned with the interests of consumers

Charges for monopoly services that reflect the incremental costs and benefits

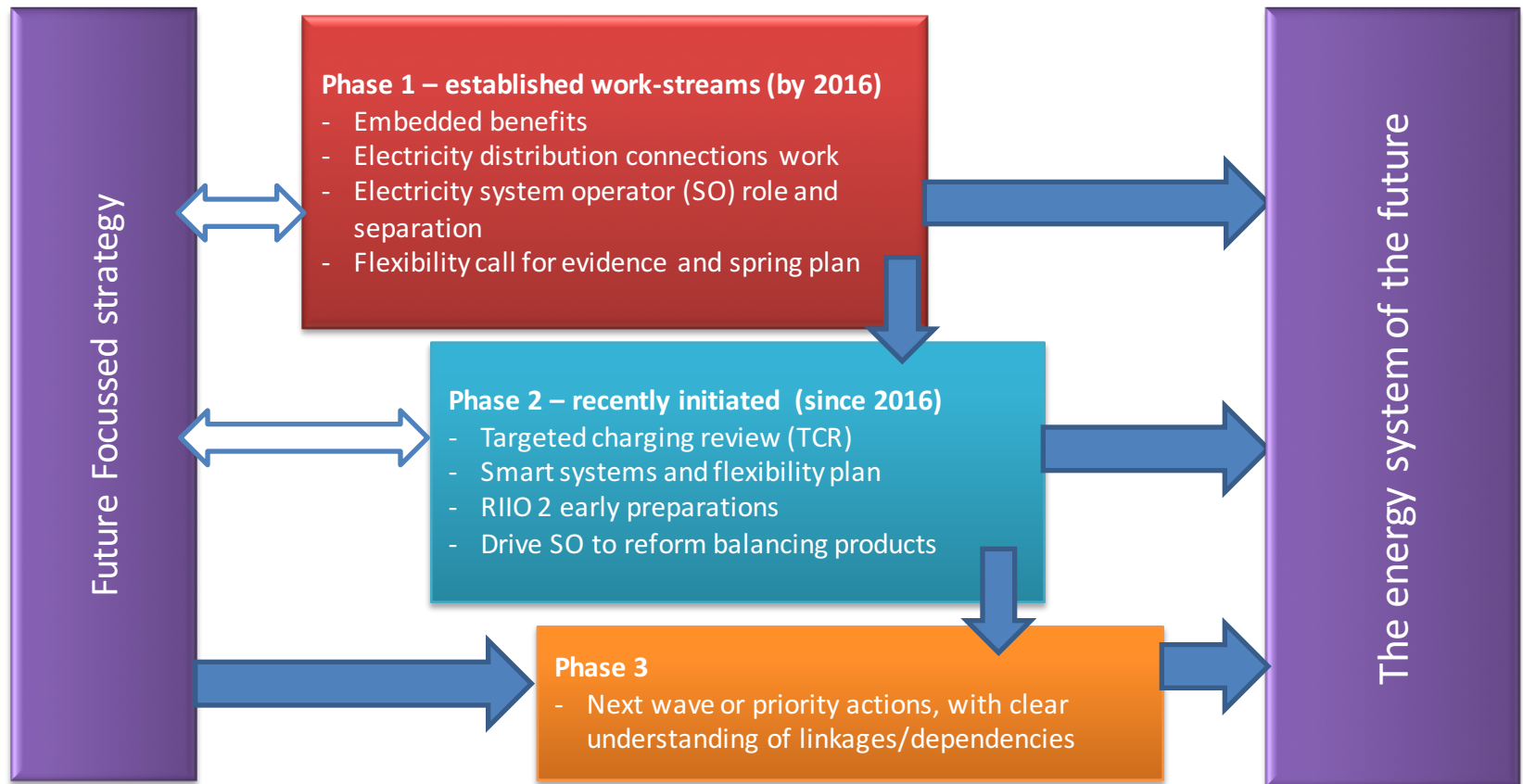
Recovering residual costs in a way that is fair and minimises harmful distortions

Regulation that is neutral between different technologies, systems and business models

Using market based approaches where it is in consumers' interests

A predictable regulatory regime that supports efficient investment and allocates risk efficiently

We already have a number of initiatives to address the system transformation



The Smart Systems and Flexibility Plan

Removing barriers to smart technologies

Regularity clarity and fair charges

Define storage in regulation, deliver a storage licence, planning reform, recalibrate policy/network charges, enable colocation with renewable.



Smart homes and businesses

Infrastructure and system enablers

Deliver smart meters, half hourly settlement, appliance automation & cyber security, consumer protections.



Markets that work for flexibility

Access to markets and new markets

Improve access to Capacity Market, Balancing Mechanism, Ancillary Services, enable value stacking, create new local markets for flexibility

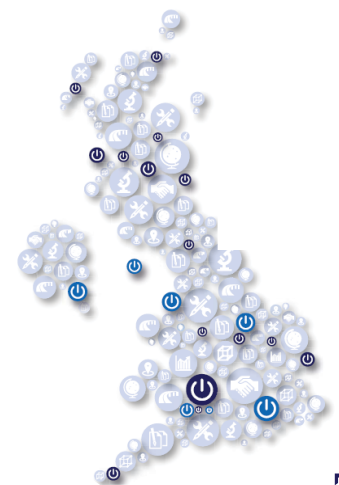


Themes from energyst survey re DSR included level of returns, lack of knowledge, and trust concerns



Spotlight on issues affecting DSR

- Regulatory changes
 - Licence changes, TCR, HHS, etc
- Awareness of opportunities
 - Power responsive, DSO
- Access to markets
 - Capacity market, Balancing market, Aggregators
- Trust
 - Aggregators Code of Conduct, Domestic and SME



- We are continuing to engage with stakeholders



Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.