Power Responsive Steering Group
Note of Fifth Meeting

1 November 2016, 13:00-17:00 hrs, held at the Grand Connaught Rooms, 61 - 65 Great Queen Street, London, WC2B 5DA

This Note of Meeting is prepared by Sustainability First on behalf of the Steering Group.

1. Welcome & Introduction

Cathy McClay now chairs the Power Responsive steering group. She introduced Lee Priestley as National Grid’s steering group representative – he heads up a new Business Development team covering demand side flexibility and Power Responsive.

The last steering group meeting on 27 July 2016 focused on the future evolution of demand side flexibility markets, resulting in a snapshot now published on the Power Responsive website.

The main discussion topic for this meeting was on 'what does success look like for demand side flexibility in GB electricity markets and how do we judge success?' The agenda also included: a policy, regulatory and balancing update; discussion on the Power Responsive Annual Report to Customers and possible metrics; development of a voluntary industry-led code of conduct for demand side aggregators led by the ADE; and Power Responsive work in Year 2.

2. Demand side flexibility horizon scan

The horizon-scan included updates from the Department for Business Energy and Industrial Strategy (BEIS) and Ofgem on policy and regulation, and from National Grid on balancing procurement.

BEIS

David Capper indicated that the BEIS & Ofgem call for evidence would be released shortly and was expected to cover:

1. Removing barriers – incl. for demand side response, electricity storage and independent aggregator access to the balancing mechanism.
2. Price signals – with enablers largely in place for industrial and commercial (I&C) customers, how can demand side activity extend to other customers? Enablers are not in place for domestic – so consideration of smart meters, elective half hourly settlement, smart appliances, interoperability, data privacy & protection.
3. Catalysing innovation – £50 million innovation funding for smart.
4. Access to markets – value proposition for demand side flexibility providers in different markets and challenges of competing with traditional sources. Missing markets e.g. local scale.
5. Roles and responsibilities – evolving roles of Distribution Network Operators (DNOs) to Distribution System Operators (DSOs), and greater independence of the System Operator (SO).

The consultation is likely to be open for 8 weeks. With plans to release a route-map in Spring 2017 to meet the National Infrastructure Commission timeframe.
Ofgem

Andy Burgess indicated that work is progressing on a number of topics in the call for evidence. He noted that Ofgem’s I&C customer survey analysis has now been published¹.

Ofgem is currently working on an open letter on a targeted charging review. Power Responsive steering group members urged the importance of taking a holistic approach on charging. Ofgem aims to look at the overall picture, tackling packages at different stages, and likely also to initially address embedded benefits separately. It was not yet clear whether future changes will be addressed through the Significant Code Review process. System Operator role and incentives are also under consideration.

National Grid

Lee Priestley gave updates on:

1. SO procurement
   - Demand Turn Up (DTU) – 300MW procured in May to cover the summer trial, 2GWh utilised in July/August, extended by a month to cover October, plan to run the service again in summer 2017 working with DNOs. Query raised on whether electronic dispatch will be available next year; NG will confirm arrangements.
   - Enhanced Frequency Response (EFR) – 201MW procured, 8 projects. Prices accepted £7-11.97/MW. 1.2GW participated, 64 sites - incl. 61x storage, 2x demand side, 1x generation.
   - Firm Frequency Response (FFR) – growth in static FFR leading to lower prices, plan to reduce entry threshold of 10MW to 1MW, work to increase participation in dynamic FFR.
   - Capacity Market – auctions start 6 December. T-4 auctions 2.15GW demand side and 2GW storage prequalified. Discussion noted on change in de-rated capacity threshold from <50MW to >50MW and clarification to be sought.

2. National Grid’s Flexibility Programme – including:
   - 115 responses to survey of demand side providers on improving information provision, and simplifying products & services. The group agreed that it would be helpful to review the number of products, currently ~26.
   - Operability strategy due April 2017 including experience of past summer/winter and strategy for collaboration with industry to meet requirements for next 5 years.
   - Working with Ofgem & BEIS on structural market changes to sharpen investment and operational signals. Considering alternative procurement strategies for SO services.

3. Shared services agreement – with Western Power Distribution (WPD) National Grid is building on the 2016 Demand Turn Up (DTU) service via an SO-led procurement arrangement. There was lots of opportunity for sharing benefits between the SO and DNO and very little conflict. WPD believes that there is considerable untapped I&C customer interest in turn-up and envisage their involvement in DTU 2017 will be part of business-as-usual operations. Proactive marketing is planned. This approach to SO-led procurement for demand turn-up, open to aggregators and other actors, may well be suited to the needs of other DNOs, and lessons are being shared via the Shared Services Group. It was noted that the earlier Shared Services Framework covering all possible use cases remains somewhat abstract, so it is helpful to build on more concrete examples, e.g. the specific use case for DNOs in SE and SW due to high levels of solar PV.

3. Demand side flexibility in GB markets: what does success look like and how do we judge success?

Steering group members were reminded of their responsibilities under competition rules. They discussed the following questions:

- How do we gauge the success of demand side flexibility in GB markets today and in future? What outcomes do we want to see?
- What approach do we take to encouraging demand side flexibility activity today? E.g. focus on product-led tenders or market-led signals.
- What approach do we take on ‘market making’? E.g. do we need to create separate market arrangements to encourage demand side flexibility? Or, can the transition be more market led?

Key points from the discussion included:

- Success for GB cannot be about promoting demand side flexibility in its own right, but because it delivers a more effective system overall, at least cost to consumers.
- Success for Power Responsive is about improving customer and market actor awareness of the potential for demand side flexibility and ensuring the proposition is simple and attractive.
- At the same time we seek to grow demand side flexibility markets, there are changes being discussed and made that could radically undermine the investment case. In particular, relating to reviews of transmission and distribution charging arrangements and embedded benefits.
- The initial work of Power Responsive to develop metrics is helpful to assessing success in the future and a continued focus on this, particularly gaps in the data is important.

A market snapshot on what success looks like has been produced separately.

4. Power Responsive Annual Report to Customers and next steps on developing metrics

Clare Dudeney gave an overview of the DRAFT Annual Report to Customers noting that the content builds on previous Power Responsive market snapshots with the addition of some initial metrics developed through a sub-group. The report is focused on four areas:

1. Power Responsive work in Year 1 and plans for Year 2;
2. Demand side flexibility in GB markets today – including the perspectives of different market actors & customers, and policy / regulatory context;
3. Metrics for demand side flexibility; and
4. Challenges today; building blocks for the future.

The aim of the report is to enable the steering group to account more widely for the work of Power Responsive. Audiences for the report include business customers, market actors and policy makers. The language needs to be suitable for business customers, potentially with a separate fact sheet / infographic.

Steering group members offered initial feedback on content, such as: setting out headline improvements made to balancing products in Year 1; including the product map; clearly explaining terminology; adding in more on commercial viability and the hassle factor for customers; including some case studies; and potentially referencing the ‘Living Grid’ project.

Steering Group members were asked to provide detailed comments by Fri 11 Nov. The report is likely to be launched in Dec 2016, potentially with a webinar and, perhaps a roundtable discussion with key actors, customers and energy trade associations on next steps on metrics.
Clare gave an overview of the metrics included in the report and some significant gaps identified through the process. It was noted that although the metrics are ‘initial’ once published there is a risk that they are viewed as a definitive statement. It was suggested that the metric on participating customers and assets is key. Customer awareness and attitudes could also be included as metrics. There is a significant gap in detailed understanding of customer response to both Triads and Distribution Use of System (DUOS) ‘red-amber-green’ charges.

There was a brief discussion on who in the future might be best placed to gather and analyse data on development of demand side markets. Ofgem, National Grid Power Responsive and Trade Associations may each have a role. Following publication of the Annual Report, the steering group will return to this topic.

5. ADE code of practice for demand side providers

Jonathan Graham gave an overview of the work of the Association for Decentralised Energy (ADE) to develop an industry-led Code of Conduct for demand side aggregators and suppliers. He noted that there is a spectrum of customer protection options ranging from non-specific market regulations to full Ofgem regulation with their proposed voluntary code of conduct as a sensible start-point. The market is growing and a balance is needed between protecting customers, and innovation in a new and fragile market.

The code needs to have ‘some teeth’ so will be accompanied by an audited compliance scheme. ADE has experience in this area with the development of the ‘Heat Trust’. Signatories who did not meet the standards would be de-registered.

It was noted that it would not be appropriate for National Grid, Ofgem or BEIS to directly endorse the code, for example, in any lists of aggregators that they might publish. They could however perhaps note those providers that are code-registered. It was also made clear that accreditation could not become a pre-condition of any DSR procurement arrangement, although it may assist aggregators to demonstrate their compliance with standard procurement terms and conditions (T&C) for DSR services. Non-code signatories could of course equally well satisfy any standard T&C requirements. It was noted that other organisations have also developed standards/codes of conduct including for Third Party Intermediaries.

The focus of the ADE Code initially will be on Industrial and Commercial customers. Some consideration on how to future-proof the code for the household sector may be needed. Initial areas for development include: sales, transparency, dispatch, complaints and data. In discussion, the proposed code was broadly welcomed as a helpful development. Some I&C customers felt that the code might not go far enough in determining who is a ‘good’ aggregator, with one suggestion that a separate website could reflect customer reviews and ratings.

An ADE steering committee will oversee the work, involving ADE demand side aggregator and supplier members, MEUC, Crown Commercial Services, BEIS, Ofgem and National Grid. The plan is to launch the Code of Conduct in Sept 2017.

6. Power Responsive in Year 2

a. Steering group meeting proposed discussion topics for Year 2

Paul Lowbridge suggested an overall theme for Year 2 on demand side flexibility in GB markets – building customer confidence; clearer information and products for balancing; and developing a better understanding of market intersects. With the following steering group discussion topics:
What does success look like for demand side flexibility in GB markets and how do we judge success? (1 November 2016)
Network intersects: transmission and distribution arrangements (25 January 2017)
Market intersects and aligning signals: wholesale, balancing and capacity markets (26 April 2017)
Future shape of markets for demand side flexibility (12 July 2017)
Steering group members suggested including ‘data gathering’ as an additional topic.

b. Work programme

In addition to strategic discussions, the group will also steer the detailed Power Responsive work programme with a focus on:
1. Customer Engagement: Raising Awareness & Clarity. I&C DSR Engagement with a focus on sectors; and wider demand flexibility incl. storage in particular.
An additional item was proposed under the final area on the type of future market arrangements.

c. Working groups

The DSR Provider Group and Storage Working Groups will become more formally linked to Power Responsive Steering Group. These groups will be open access. National Grid will consider how to raise awareness of the potential to participate, including with business customers. A question was raised on how the Storage Working Group will interact with the more detailed Grid Code Working Group, noting that the two groups would be complimentary.

d. Website V2

A new version of Power Responsive website is being developed, due to go live w/c 7 November. Key features are; an expanded Case Study section arranged by business sector, clearer section on next steps and updates, and a live twitter feed for #powerresponsive.

e. Updated Steering Group Terms of Reference (TOR) for Year 2

The TOR has been amended to reflect the Year 2 priorities and wider focus on ‘flexibility’. This will be circulated after the meeting. There has been much interest in the successful work of Power Responsive in its first year, prompting a number of queries about steering group composition. The current approach to ‘representative membership’ will therefore be considered before the next steering group meeting.

7. AOB

No items raised.

8. Dates of future meetings:

- 25th January 2017
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<th>Name</th>
<th>Organisation</th>
<th>Role or Sector Represented</th>
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<tr>
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<td>Chair</td>
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<td>David Capper</td>
<td>BEIS</td>
<td>Policy &amp; Regulation</td>
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<td>Andy Burgess</td>
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<td>Dominic Scott</td>
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<td>Lee Priestley</td>
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<td>Sara Vaughan</td>
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<td>Chris Morrison</td>
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<td>Jo Butlin</td>
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<td>Jim Cardwell</td>
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<td>Roger Hey</td>
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<td>Alastair Martin</td>
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<td>Jon Ferris</td>
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<td>Third Party Intermediary</td>
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<td>Neil Gillespie</td>
<td>United Utilities</td>
<td>I&amp;C (water/utilities)</td>
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<td>Joe Ernst-Herman</td>
<td>Crown Commercial Services</td>
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<td>David Penfold</td>
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<td>Eddie Proffitt</td>
<td>Major Energy Users Council</td>
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<td>Justin Andrews</td>
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<td>Jonathan Graham</td>
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<td>Judith Ward</td>
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