28 February Charging Futures Forum

Questions & Answers

General Questions

How is Ofgem taking into account the lessons of gas entry auctions when considering the introduction of auctions into electricity?

The gas transmission entry auctions are a useful example which we have looked at. Yet there are also very significant differences which would need to be reflected in how an auction for capacity to the electricity system would need to be designed. For example, the degree of interdependence between all points is greater in a meshed electricity network than a gas system. Also, at present in the gas transmission network, supply of network capacity consistently exceeds supply, which means auctions clearing at reserve. In electricity, we are seeing significant constraints in areas (especially on distribution networks) and expect that these could increase in future.

Which user groups are actively asking for auctions?

There are no specific user groups who are actively calling for auctions. However, we think we need to consider them to see whether they could be in the interests of consumers as a whole. Where network capacity is scarce, auctions can efficiently allocate it to users who value it most and it can send a good signal to network companies about how users would value new network capacity.

Are there any differences between auctioning access rights and a nodal Wholesale Market?

In a nodal market, there is no single wholesale electricity market price. The network access project is not considering either market splitting or locational marginal pricing.

Charging Futures

Electric Vehicles Panel Questions

Given EV/charging points can provide system response, is it possible to open up market opportunities to EV owners without the need for complex rules/barriers?

Together with government, we committed to actions remove barriers to contracting flexibility as part our Smart Systems and Flexibility Plan.

- We require DNOs to develop distribution system operators (DSOs) functions, part of which would be to establish new markets to help manage local network constraints (this would include DSR which EV owners could participate in).

- We have also reviewed the existing markets that flexibility providers could participate and committed to actions to make these markets work better.

- We committed to taking a number of actions to address undue regulatory and policy barriers to battery storage to allow it to compete on a 'level playing field.' These reforms could be relevant for vehicle-to-grid technologies that seek to act as a battery and export electricity back on the grid.

Do EV network charges (£) need to sit in the CUSC/DCUSA? Could this stifle the scope of the technology by applying a traditional generation/demand approach?

The Distribution Connection and Use of System Agreement (DCUSA) provides a single centralised document which relates to the connection to and use of the electricity distribution networks. It includes the charging methodologies for connection to, and use of, the electricity distribution networks.

The Connection and Use of System Code (CUSC) constitutes the contractual framework for connection to, and use of, the national electricity transmission system. The methodologies used to derive the charges that National Grid Electricity Transmission levies for connection to and use of the national electricity transmission system are also set out in the CUSC.

We currently consider it appropriate the charging methodologies for the distribution and transmission remain in these code governance documents. If this is identified as a barrier to new innovative business propositions that could deliver benefits to consumers, then we will consider how we can address this barrier to entry.

What options exist for spreading EV-related network upgrade / system costs across consumers? Should non EV owners be exempt or protected, and if so, how?

A key focus of our Electricity Network Access project that was launched in November will be determining who should pay for any network reinforcement - including that triggered by users charging their EVs. We will consider the impact of any proposed changes on all users, including the ability of different domestic customers to predict and respond to price signals.

Is there a risk that the flat charging for network residual proposed under Ofgem's TCR risks significantly reducing the inventive for smart charging?

Ongoing network charges include forward-looking charges that are designed to send signals to encourage efficient use of the networks, and residual charges that are designed to ensure the networks' allowed revenues are recovered. The Targeted Charging Review is focused on reforming residual charges. Residual Charges are not intended to send signals or provide incentives to EV users to use networks in any particular way.

Our Electricity Network Access project is reviewing changes to forward looking charges that could lead to more cost reflective network charges. This could drive users to adjust their behaviours and more efficient use of the network. For instance, stronger temporal price signals could push network users to charge their EVs during certain time periods.