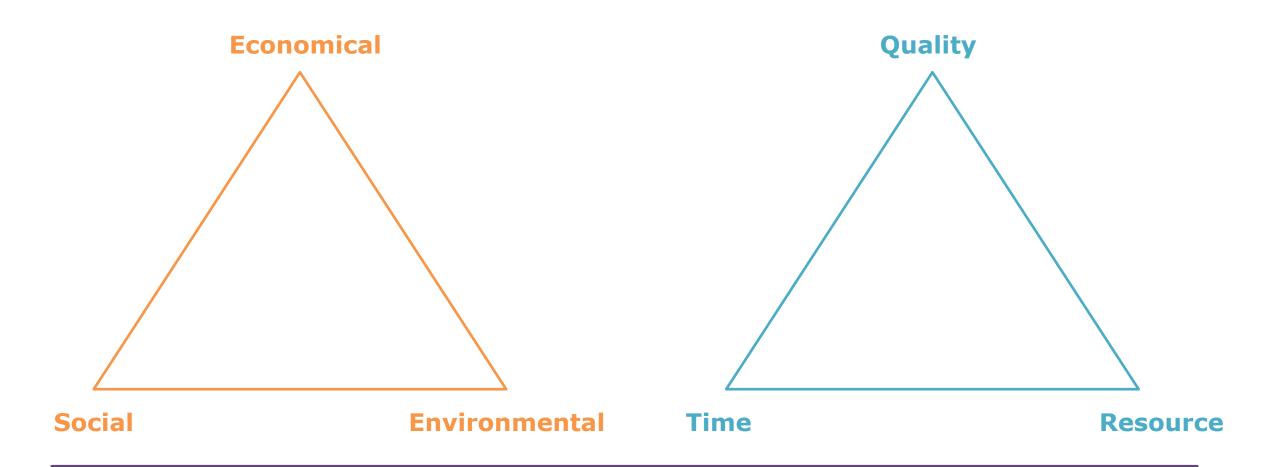


A perspective on how Ofgem is seeking to enable investment in digitalisation to facilitate the net zero future Joint Radio Company seminar 2020



Alex Walmsley, Senior Manager, DSO October 2020

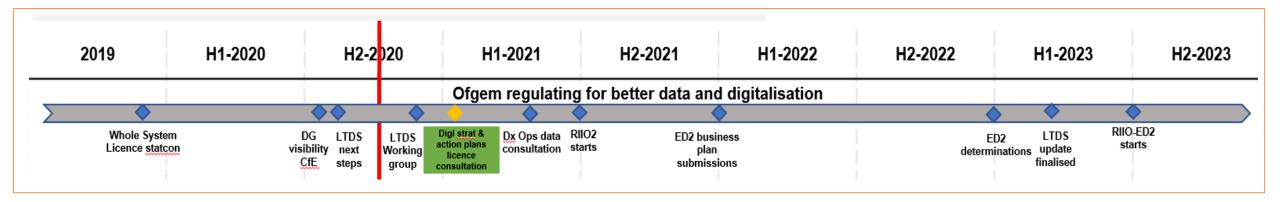




How to regulate energy networks to enable net zero

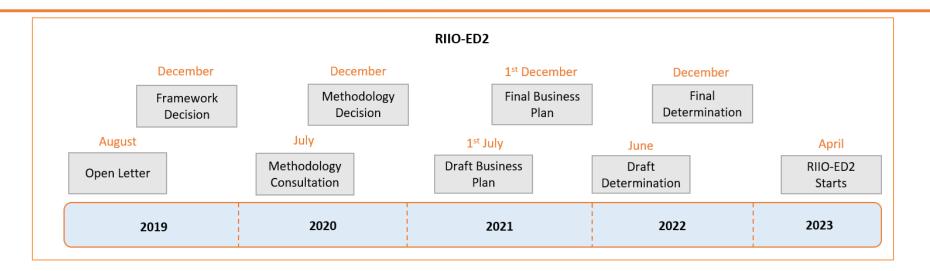
Modernising Energy Data (MED) - Roadmap to desired outcomes H1-2020 2018 2019 H2-2020 H1-2021 H2-2021 H1-2022 H2-2022 H1-2023 H2-2023 **SSFP** National Digital Twin Programme **EDTF** Leadership Government led digitalisation strategies **Energy Data** Data Geospatial Strategy **Networks digitalisation strategies** Strategy There is agreement on data and digitalisation outputs expected 1st progress update Networks' first Ofgem review RIIO2 2nd progress update RIIO-ED2 from networks Presumption of and open letter of digitalisation of digitalisation Digitalisation starts starts openness is the strategies strategies industry A commonly agreed data triage 'default' ESO Data process is well established in Portal **ENA Open Data Triage** (beta) the energy industry Industry led data initiatives Data is NPG Data UKPN WPD POD adequate, open data standardised, **Blocks** portal **Energy Data Best Practice Guidance** and interoperable published There is sufficient across sectors **Energy Data Visibility Project** visibility of energy data Building and no (or low) **Modernising Energy Data Access** associated search costs The required Efficient energy data infrastructure, sharing platform(s) processes, Electralink-Flexr are up and running technologies and skills are A 'single source of truth' appropriately digital energy systems map deployed **Digital System Map** is driving a variety of use-First Use-case cases and improved MVP prototype engagement The relevant rules & regulations, Ofgem regulating for better data and digitalisation costs & benefits Frameworks and roles & RIIO-ED2 DG Digi strat & Dx Ops data RIIO2 responsibilities Whole System LTDS LTDS ED2 business LTDS ED2 starts Licence statcon visibility consultation starts update next Working are clear CfE submissions steps finalised group Industry self-regulation on data via codes DCP350 **BSC P398 ENA Data Working Group** Intermediate MED owned or MED owned or MED owned or affiliated outcomes affiliated timeline affiliated milestone activity/project Ultimate Others activity/project Others Others outcomes

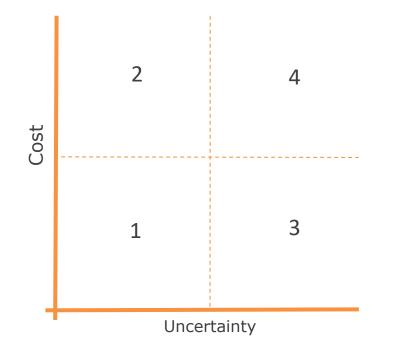




- · RIIO2
- Policy development outwith the price control
- Innovation







Tools available:

- Baseline funding
- Incentives
- Price control deliverables
- Volume drivers
- Uncertainty mechanismsi.e. re-openers

- How to determine need based on scenarios and forecasts
- Targeting digitalisation needs



- Call for evidence on distributed generation visibility
- Long-Term Development Statement reforms
- Licencing heatmaps
- Operational data licence
- Digitalisation strategies and action plans consultation
- Network Development Plan (CEP)

Themes aligned with MED

Presumption of openness is the industry default Data is adequate, standardised, and interoperable across sectors The required infrastructure, processes, technologies and skills are appropriately deployed

The relevant rules & regulations, costs & benefits and roles & responsibilities are clear

Ofgem needs you!



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Strategic innovation fund

Purpose

To ensure a greater degree of alignment between network innovation and other publicly funded innovation to support the transition to Net Zero. The SIF will target network initiatives that directly or indirectly contribute to the achievement of Net Zero while delivering benefits to network companies and consumers.

Benefits

Support strategic network innovation projects that would not otherwise be supported within a five-year price control and contribute to the energy system transition.

The current process by which companies identify projects for network innovation funding can be uncoordinated and lack strategic focus. This is particularly problematic given that the nature of future system challenges are likely to require increased collaboration between network companies, third parties and funders of innovation, and greater consideration of whole system solutions.

https://www.ofgem.gov.uk/system/files/docs/2020/07/draft_determinations - core_document_redacted.pdf

Summary and conclusion

- Net zero and Ofgem's role
- RIIO2
 - How to balance delivery trade-offs
 - How to determine need based on scenarios and forecasts
 - How to enable investment where its needed
- Policies outwith the network price controls
 - Digitalisation as a cost saver
 - Active policies to licence digitalisation
- Innovation
 - Strategic investment fund to meet the challenges of an evolving energy system



Ofgem is the Office of Gas and Electricity Markets. We are a non-ministerial government department and an independent National Regulatory Authority, recognised by EU Directives. Our role is to protect consumers now and in the future by working to deliver a greener, fairer energy system.

We do this by:

- working with Government, industry and consumer groups to deliver a net zero economy at the lowest cost to consumers.
- stamping out sharp and bad practice, ensuring fair treatment for all consumers, especially the vulnerable.
- enabling competition and innovation, which drives down prices and results in new products and services for consumers.