

Achieving the electricity industry of the future

Martin Crouch

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ofgem

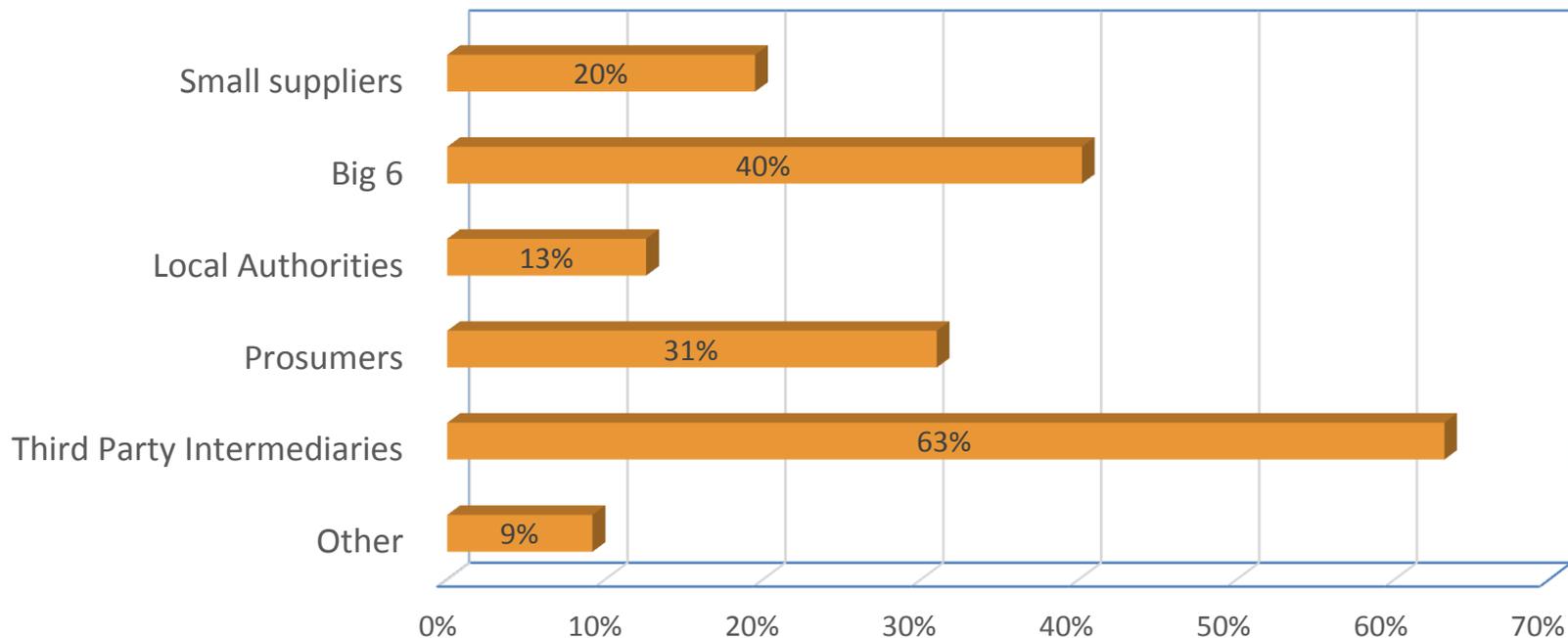
The ... power system will keep changing and evolving throughout the coming decade. Nothing that we know from the past might be taken as granted. Technologies, system and market parties' behaviours and strategies, hence business models, will come to change and surprise us.

**Florence School of Regulation,
Policy Brief 2015/04**

- We expect to see:
 - a smarter and more flexible system
 - decentralisation and local energy schemes
 - increasing interdependence of services
 - a more diverse commercial environment
 - better service for consumers enabled by new and smarter technology
- Decarbonisation of heat is arguably the biggest policy challenge
- Supplier hub model may not survive
- Many sets of scenarios don't provide a plausible range

Who will be the most powerful players in the GB energy retail market in 10 years time?

Audience votes (up to 2 votes/person)



The Innovation Link is:



1. Fast, frank **feedback** on the regulatory implications of disruptive, new business propositions

2. A “**regulatory sandbox**” to enable innovators to trial new products or services without all of the normal regulation

What’s happened so far?



80 start-ups have been helped. These include retail, smart grid, local energy, storage, personal apps

Sandbox discussions are ongoing with 5 companies

The next round of sandbox will open in October 2017

Launched in December 2016 and has been warmly received by innovators and stakeholders

We have entered into sandbox discussions to trial:

- A consortium led by EDF Energy R&D UK and including Electron, PassivSystems, Repowering London and University College London: trialling a peer-to-peer local energy trading platform.
- Origami Energy: trialling a platform that enables commercial consumers to buy directly from independent generators and manage their own imbalance position
- OVO Energy: in partnership with VCharge, trialling an innovative tariff supported by smart home technology.
- Empowered: trialling a local peer-to-peer energy trading scheme.
- One that doesn't wish to be named at this stage

At least three further projects can go ahead without sandbox support under current regulation

Our goals for the regulatory framework governing GB wholesale and networks

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 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

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.