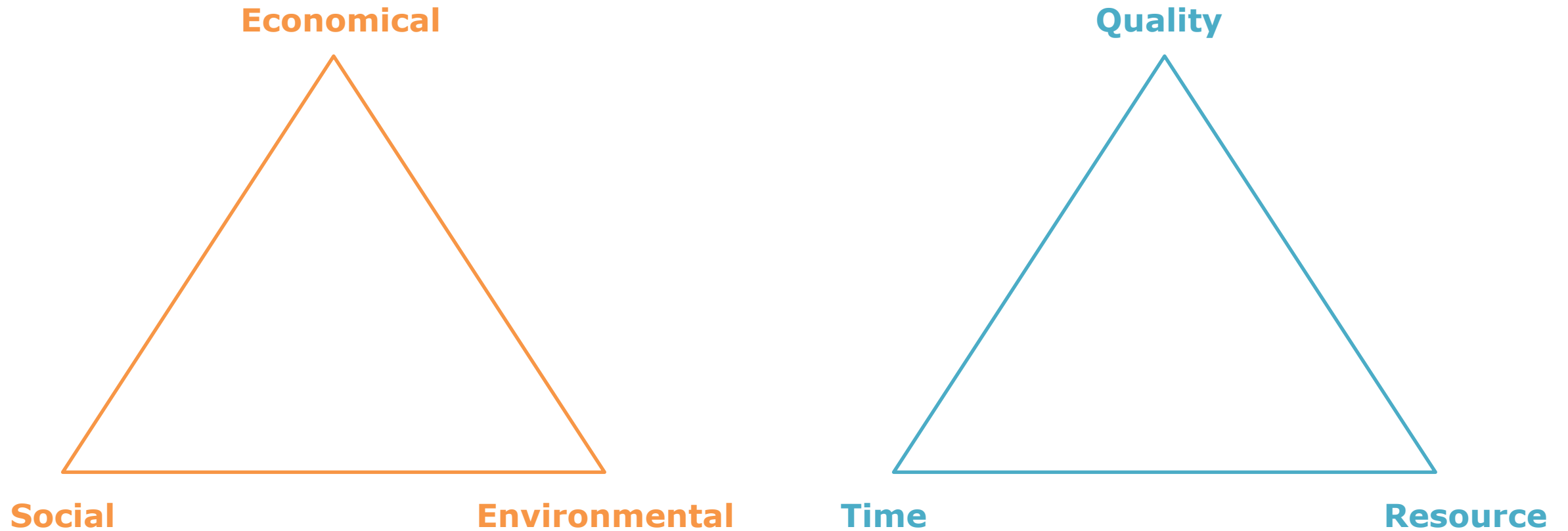


A perspective on how Ofgem is seeking to enable investment in digitalisation to facilitate the net zero future

Joint Radio Company seminar 2020

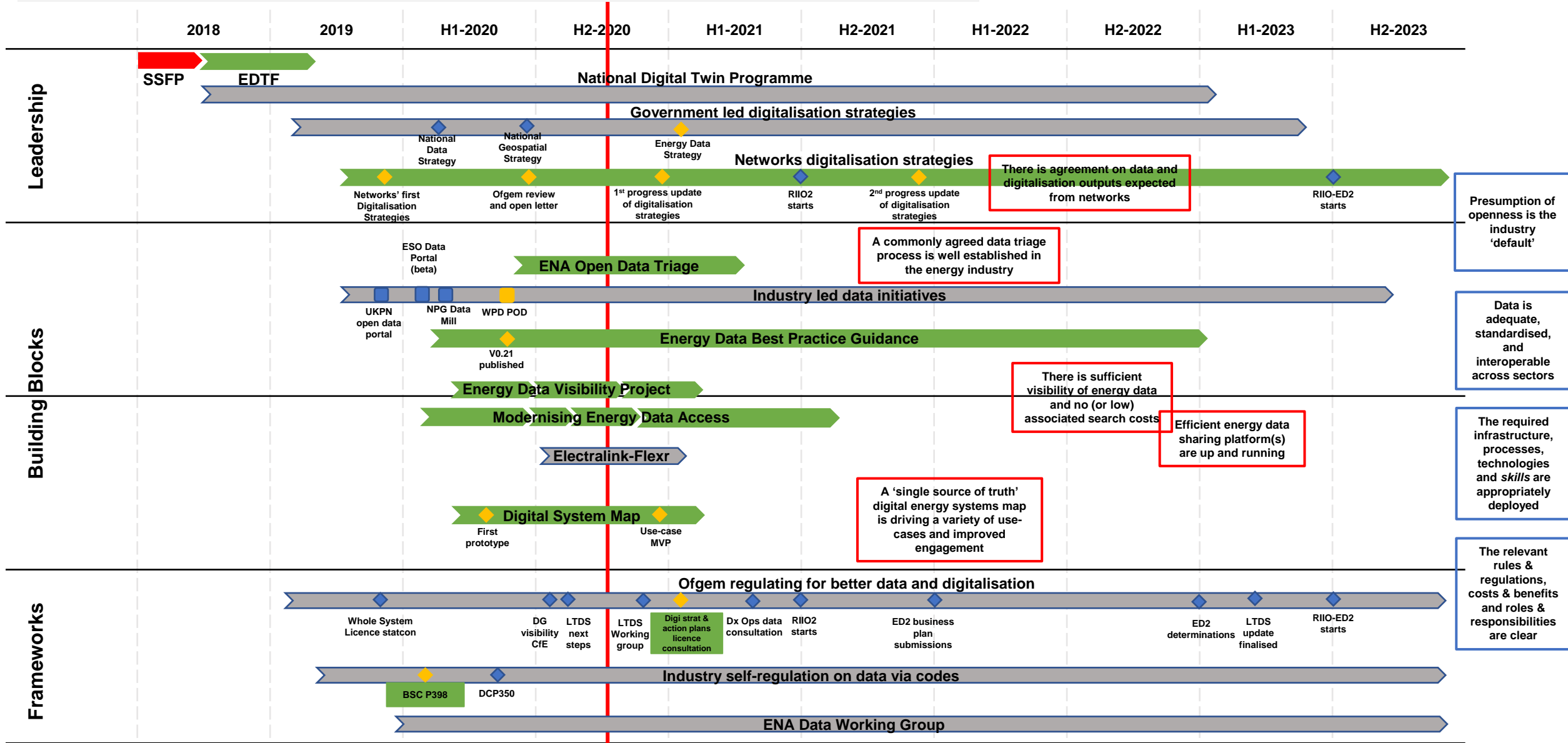


Alex Walmsley, Senior Manager, DSO
October 2020



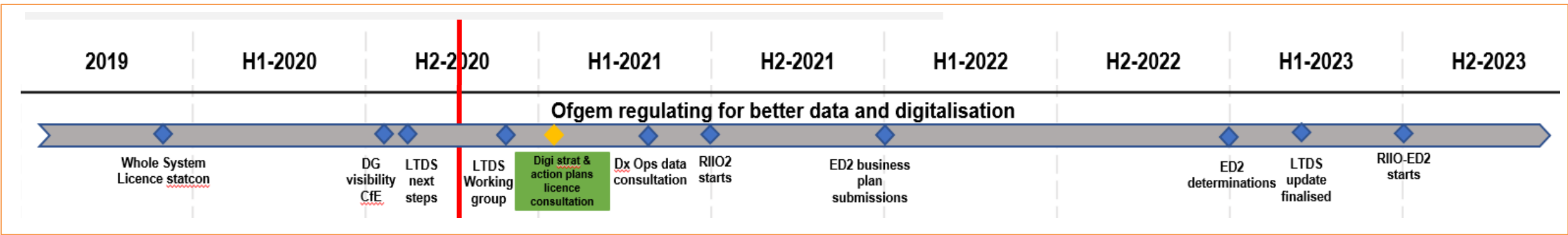
How to regulate energy networks to enable net zero

Modernising Energy Data (MED) – Roadmap to desired outcomes

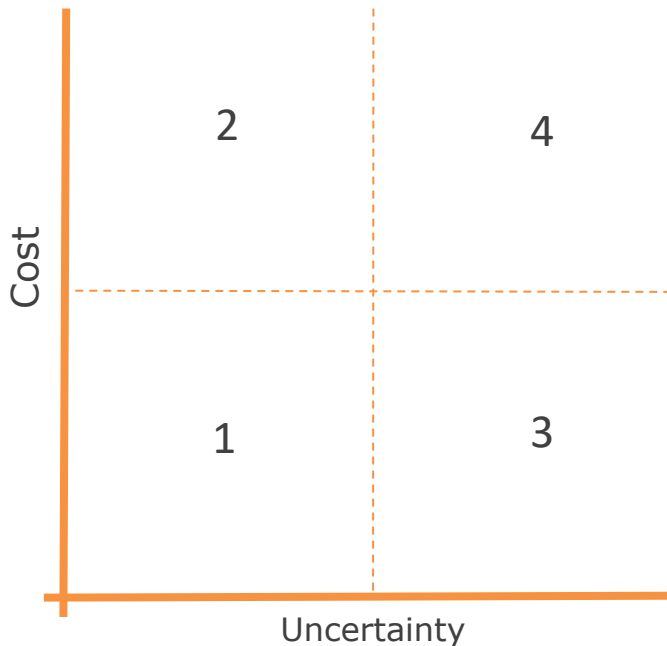
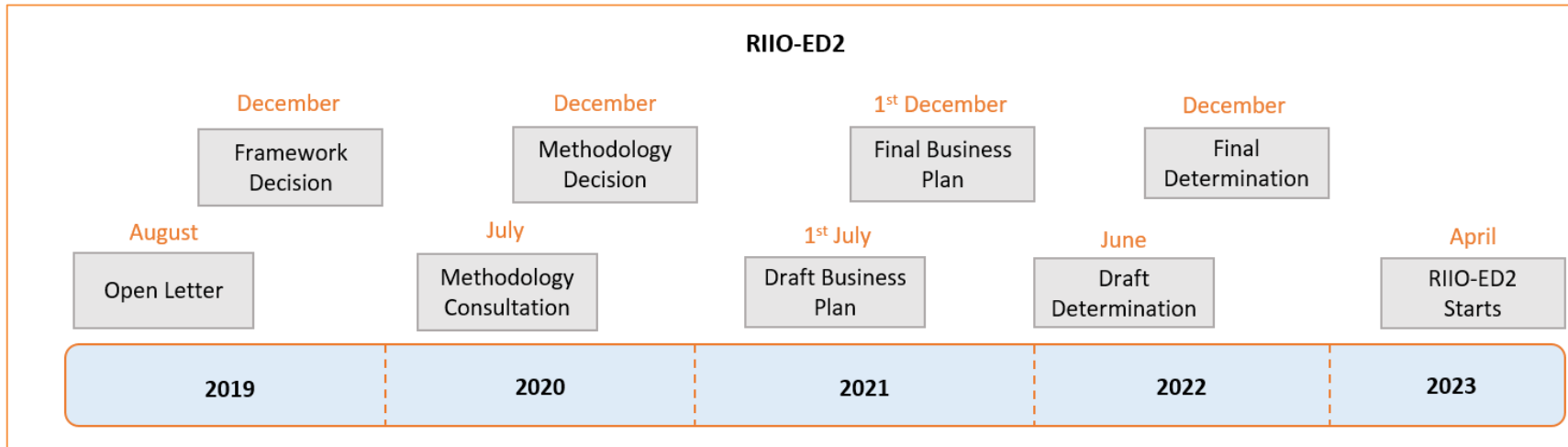


Legend:

- MED owned or affiliated timeline
- Others
- MED owned or affiliated milestone
- Others
- MED owned or affiliated activity/project
- Others activity/project
- Intermediate outcomes
- Ultimate outcomes



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



Tools available:

- Baseline funding
- Incentives
- Price control deliverables
- Volume drivers
- Uncertainty mechanisms i.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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from Noun Project

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.**