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Dear Mr Cooper,

Ofgem Draft Forward Work Programme

Thank you for the opportunity to comment on Ofgem's draft forward work programme.

The IET is one of the world's leading professional bodies for the engineering and technology community. We have over 150,000 members in 127 countries and has offices in Europe, North America and Asia-Pacific. The Institution provides a global knowledge network to facilitate the exchange of knowledge and to promote the positive role of science, engineering and technology in the world. This response has been prepared by the IET's Energy Policy Panel and takes into account feedback received in response to a call for comment to the wider IET membership.

Ofgem's Corporate Strategy and Plan published in March 2011 included four strategic priorities to protect the interests of consumers:

- contributing to the achievement of a low carbon energy sector
- helping to maintain the security of Britain's energy supplies
- promoting quality and value for all consumers
- ensuring the timely and efficient delivery of Government programmes for a sustainable energy sector.

The IET fully supports these objectives and wishes to make the following observations on its work programme to put these priorities into effect.

The challenging and expanding engineering and technology agenda

We see a particularly challenging and expanding engineering and technology agenda ahead covering the whole energy value chain and distinguished by:

- an ever increasing integration along the production-distribution-supply - and now also demand-side participation - value chain for different energy vectors (gas, electricity, and heat);
- increasing integration between the energy vectors, and increasing involvement of additional stakeholders across the built environment, transport and infrastructure sectors.

It is self-evident that this will require increasing regulatory engagement.

An example of this expanding agenda is the recent Smart Grid Forum W/S3 report which alone has some 30 action points, many of which will require sustained effort to address, such as:

- GB influencing and aligning with developing international standards for smart grids and electric vehicles and the impact these have on UK codes, licences and legislation;
- re-addressing GB security of supply and network design standards, particularly considering the impact of demand response and energy storage;
- the commercial arrangements for smart grid and demand response services;
- interaction with global white goods and automotive manufacturers;
- transfer of successful applications from Low Carbon Network Fund (LCNF) projects to Business As Usual solutions, recognising the adjustments this may require to, say, Grid and Network codes, or to RIIO business plans.

All this represents a step change from the previous requirements of both competitive markets and network regulation where the emphasis was more towards cost reductions and (from an engineering perspective) relatively small changes over time.

In addition to the actions starting to flow from the Smart Grid Forum, we are also mindful of the European Network Code developments that will require GB interpretation and assimilation.

Ofgem's engineering capability is key to interpretation of the developing industry agenda, identifying the requirements for regulatory change and ensuring that due process is followed.

The IET views the scale of these challenges as significant and has a concern that UK risks the pitfall of 'too little to late'. It is critically important in our view that, in a liberalised market, there is continuity of leadership and engagement from its regulator.

We believe that Ofgem's stance on innovation is strong and we are hopeful that the scale of these challenges is indeed recognised. However what is less clear to us is whether Ofgem has plans to develop its engineering resources to engage sufficiently in the complex technical issues ahead. We believe this justifies a modest expansion of Ofgem's engineering capability with an increase of resource resilience and a succession pathway for the longer term. In addition, the range of engineering capabilities encompassed by new demand side approaches will be wider than those from which Ofgem has traditionally drawn. The IET would therefore welcome recognition of resourcing as a key issue in Ofgem's plans.

Retention of Smart Grid Forum

The IET believes that the Smart Grid Forum (SGF) is playing a vital role and we support its continuation and retention as a separate body, noting it has nearly completed its first year of work.

The agenda is challenging and the group has laid good foundations. It is actively progressing the delivery of high added-value work. The IET has visibility across the four main sectors (Energy, Communications, IT and Transport) that have strong interdependencies for enabling the government to meet its goals for smart meters, smart grids, and electric vehicles and heat pumps. It is evident to us that the SGF is providing focus and that the stakeholders have engaged actively in the agenda of the group.

The SGF is in our view a distinguishing feature for the UK's low carbon energy transition programme and is a model of good practice in advance of many other countries.

Consumer Engagement

We note and support Ofgem's programme for strengthening consumer engagement and commend the approach now being formalised under RIIO.

The IET has also identified a work theme that recognises that in a number of areas 'technology is getting closer to people'. This is evident for example in regard to home energy, smart metering and displays, demand response, and EVs. The IET has formalised its activities under the heading of Global Agendas (see website <http://www.theiet.org/policy/thought-leadership/>) and is currently addressing the following thematic areas:

- Energy for a sustainable society
- Transport for a sustainable society

We are approaching this Global Agendas work in conjunction with new (non-engineering) partners and will be pleased to co-operate with Ofgem if there is a suitable opportunity.

Support for Innovation

The IET is engaged in a number of areas of work that directly or indirectly involve the regulated power network companies. We continue to be very supportive of the innovation theme that Ofgem has introduced as part of RIIO and we note the effectiveness of the Low Carbon Network Fund (LCNF) programme to date.

Our membership includes professional engineers operating across power, information technology, communications, transport and the built environment. We are uniquely placed to catalyse the interdisciplinary activity necessary to move the innovation agenda forward.

We share Ofgem's goal for knowledge sharing and are pleased to offer the good offices of the Institution to assist where we can. In recent months, for example, we have been active in relevant thematic areas including Electric Vehicles, smart metering, consumer engagement and smart grids.

If the IET can be of further assistance to Ofgem on these matters please do not hesitate to contact me.

Yours sincerely



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