

Update from Ofgem SCR meeting

UNC435 Workgroup

17 December 2012

What was discussed

- High-level objectives and principles of SCR
- Centrica presentation on alternative approaches (UNC435)
- Differing views on impact of increased import dependency on security of supply

Some areas of common ground

- General support for 'keeping the market open' as long as possible so that cash-out price is not frozen too early and can react to circumstances
- Recognition that NDMs can't participate in market and need for some form of administered price (though views on calculation might differ)
- Recognition that capping liabilities in case of NDM isolation is appropriate
- Recognition that targeting significant costs at neutrality could impact incentives

Areas Ofgem is looking into further

- Impacts of VoLL at £20/therm
- Are there better ways of pricing DMs into emergency cash-out arrangements – as opposed to administered price?
- Alternative approaches to dealing with shortfalls

Key considerations for alternatives

- Consumers should be paid for involuntary DSR services
- Important to have appropriate price signals
- Current frozen cash-out arrangements should be reformed

Next steps

- Looking to implement reform ahead of winter 14/15. We will make a decision by the middle of next year
- Encourage continued development of UNC435 (or other proposals)
- keen to see proposals that enable DM price discovery
- We will consider with industry how to bring package together

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

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