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Citizens Advice Scotland's response to the ENAs Consultation on the Open Networks Project Flexibility Consultation (August 2019)

Who we are

The policy teams at Citizens Advice Scotland (CAS) use research and evidence to put people at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations. We aim to represent the views of different consumer groups using evidence of consumer views and supporting research wherever possible.

Overview

CAS welcomes the opportunity to respond to the ENAs consultation. We think that the consultation raises issues that need to be quickly addressed as the flexibility market develops.

We are supportive of the points raised in the response given by Citizens Advice.

In this short response we will reinforce a number of issues that we think are particularly important:

- Ensuring the appropriate support and guidance is available for organisations like housing associations and community groups to participate
- Promotion of flexibility projects that deliver a social benefit
- Ensuring the appropriate protections are in place (particularly for the domestic sector)

Flexibility market principles

We are supportive of the 6 market principles proposed in the consultation document. We agree that these principles should act as a framework as the development of the flexibility market proceeds. When shaping policy positions CAS works under a similar principles based framework known as the Consumer Principles¹. The seven principles are:

- Information
- Access
- Choice
- Redress
- Safety
- Fairness
- Representation

While the development of principles are a positive step forward, principles alone cannot ensure that the desired outcomes in the market will be achieved. It is important that suitable guidance and support is available for organisations to operate in the market and comply with the principles set out.

We have seen in the retail market the development of principles based regulation has sometimes led to higher consumer detriment - when companies do not have the policies or structures in place to support consumers (and no licence obligation exists). We therefore think it is important that some regulation is in place to ensure that a consistent minimum standard is clear for all involved parties and importantly is complied with.

We think this is particularly important for any flexibility project involves domestic consumers or SMEs. While the Associate of Decentralised Energy has developed a code of practice, we think more needs to be done to protect those participating in the flexibility market. Due to the deregulated nature of the environment they are operating in, consumer protection is reliant on a willingness of any third party or other service provider to adopt and adhere to any code of practice that is developed. Our *Pylons Pipes and People*² report reported that industry professionals raised serious concerns during interviews that the DSO's proposed role of neutral market maker for network services will leave the actors in that market (potentially aggregators, community energy projects, suppliers, and other third parties) largely unregulated and free to charge what they can get away with, rather than what the future network charging methodology has carefully worked out is fair.

¹ In 2018 CAS published *Leading by Example: a principled journey through regulation* in which 7 overarching Consumer Principles are set out and if adhered to, will ensure that markets are shaped around consumers.
<https://www.cas.org.uk/publications/leading-example-principled-journey-through-regulation>

We hope the principles set out in this consultation are a first step towards ensuring that participants are protected and believe that some regulation beyond a code of practice will be needed.

Market participation

As outlined in the response from Citizens Advice we think its important that different types of organisations can participate in the flexibility market. While the 'neutral market facilitation' principle will go some way to ensuring this, we think that more will be needed. Smaller organisations like housing associations, community organisations and local authorities should be given support and guidance to ensure that they can participate in the market.

These type of market participants strongly align with the principle of 'no one left behind' which is commonly stated as an important aspect of the energy transition. We also strongly support the proposal for projects that bring benefits to domestic consumers to the flexibility market – noting the importance of there being appropriate robust protections in place.

Projects such as the 'social CMZs' being developed by SSEN are a good example of projects that deliver multiple benefits:

- Reduction in bills for participants involved in project (due to reduced energy demand)
- Reduction in bills to all consumers within DNO region (reduction in the need for wider network reinforcement)
- Advantages for network companies (less need for network reinforcement)
- Environmental benefits (due to less need for network reinforcement)

Given the potential to involve domestic consumers and SMEs in the flexibility market, we would encourage all proposals to be widely tested with stakeholders before any projects are initiated. Its also important that consumers are engaged in the right way to ensure that projects are successful. Leasons on community engagement and participation should be learned from various projects in Scotland - such as the ACCESS project on Mull³, the NINES project in Shetland⁴ and the Active Network Management project in Orkney⁵

We are also strongly supportive of the need for Interoperability of systems and agree that as far as possible DSOs should be given frameworks to ensure that contracts, dispute resolutions and systems are consistent across GB.

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Strategic lead for Markets

³ <http://www.accessproject.org.uk/>

⁴ <http://www.ninessmartgrid.co.uk/our-trials/>

⁵ <https://www.ofgem.gov.uk/ofgem-publications/88169/dglearning.pdf>