

# EPRG Winter Seminar



December 2022

How to align response to today's energy crisis with longer-term objectives.

Uncertainty is likely to persist: regulation needs to be both consistent and adaptable (are these compatible?)

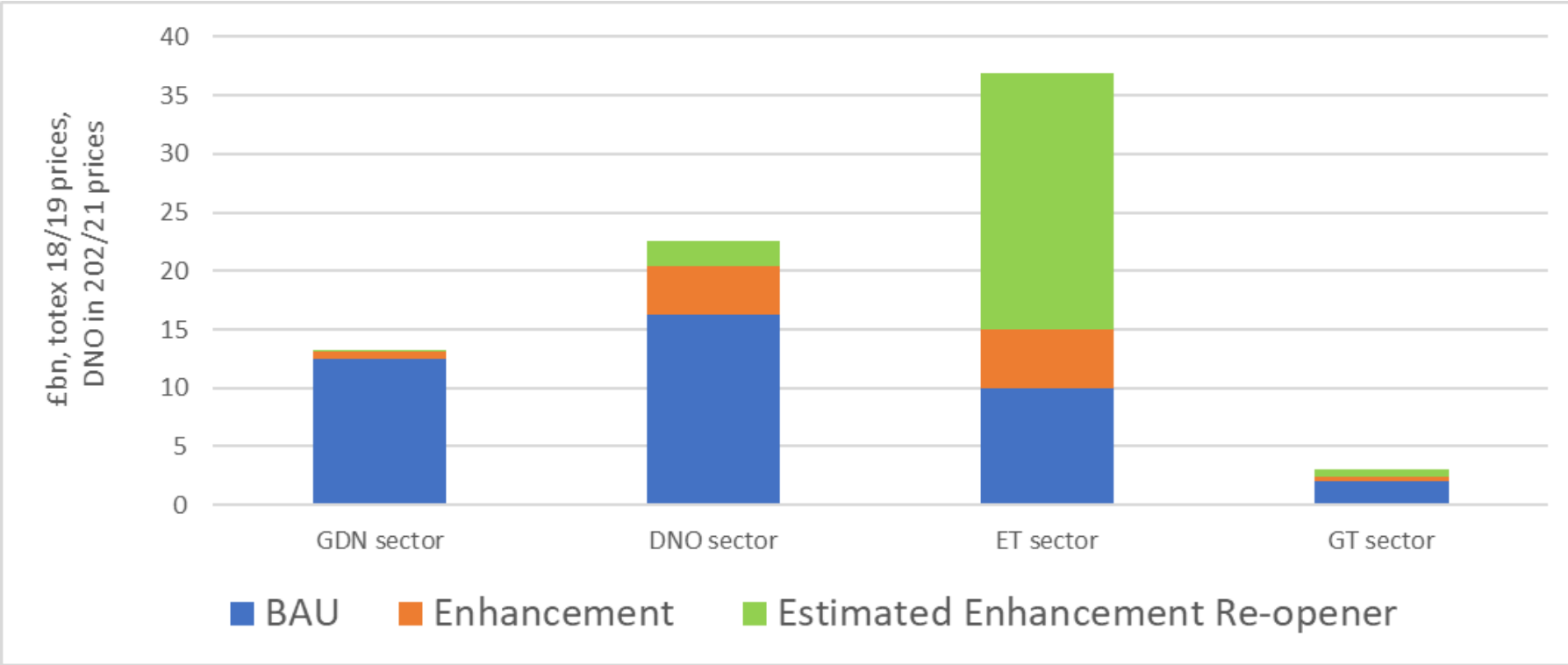
In retail: stabilisation; towards a sustainable market that can meet broader objectives after the energy crisis

- Regulation that is robust to whether high prices are short-term or longer-term: potential to evolve over time
- A number of 'trigger points' may shape future market structure in the next few years
- Are energy retailers well placed to work with or become energy services firms in the future?
- Significant risks to consumer protection: persistent lack of transparency to many consumers

In networks: beginning debate on how networks adapt to future challenges

- The future challenges will be different to those in the past; whole system optimisation, role of flexibility, importance of pace in building transmission, growth in electricity / decline in gas
- However, for most networks, >c.80% of costs will still be in operating and maintaining the network
- So what does a 'meeting customer needs' look like for a future energy network; and can this be achieved by setting "what get measured gets done" incentives?
  - Alternatives: stronger direction from Ofgem/system planner; enforcement model; or greater use of ex post mechanisms to assess performance and productivity
  - What is the role for customer / stakeholder agreements?

## Network regulation is already changing



## Some illustrations of the issues

There is a cost to consumers from not delivering adequate infrastructure at pace. Due to increasing electricity demand and changing location, consumers face significant additional constraint costs

Estimates of the value of flex to networks for 2021-2050 are around £40-50bn (2020 prices). (BEIS/Ofgem ENSF publication).

