

Summary notes from Future World unintended consequences workshop

On 4 December, Baringa ran a two-hour workshop with the Open Networks Advisory Group to assess what unintended consequences could emerge from moving to any of the Future Worlds. The purpose of the session was not to feed into the assessment of the Future Worlds but to help identify where further work may be required in the design of the Future Worlds.

The Impact Assessment report includes a full write up of the issues identified, the potential impact of those issues and the next steps which can be taken to mitigate them. Below we have summarised the high-level unintended consequences which were identified through the workshop:

- DSOs may be risk adverse when identifying non-asset solutions and this may impact the opportunities for competition to drive better outcomes for consumers;
- If network operators develop improved price signals and access arrangements for residential customers, there will be a need for suppliers to pass through the signals in order for the arrangements to be effective;
- If distribution network planning and operations are to be undertaken by the same organisation running distribution flexibility markets, there will need to be clear transparent decision making process over why asset solutions have been chosen;
- There is uncertainty over the value of flexibility to network operators (particularly at lower voltage levels) and more work should be done to understand this value before making investment in the functionality to run flexibility markets;
- There is likely to be different value and prices at different locations on the network and this concept will need to be carefully explain if applied to residential customers;
- Implementing any of the Future Worlds will be a significant change and require co-ordination among different industry parties. It isn't clear where this co-ordination will come from and how it could be delivered through current industry governance processes;
- The lack of certainty on the future direction of network operation and wider flexibility markets may adversely impact investment decisions – both from networks but also technology providers looking to provide the IT and Communications equipment required for the Future Worlds;
- Some recent policy decisions have lowered the value of flexible assets (Capacity Market suspension, embedded benefits review). There is a danger that when networks seek flexible providers to help defer or avoid asset investment, there are no flexible providers available.
- Most of the Future Worlds require layering new markets onto existing market structures. There is a risk that this produces highly oscillating markets which make network planning and operation difficult; and
- There is a risk that accountability for key areas such as national security of supply is fragmented in some of the Future Worlds and responsibilities will need to be made clear.