



Economic signals for DSOs and customers

**What will domestic consumers
actually want from future DSOs?
(a common sense view)**

About Citizens Advice

We are the statutory consumer representative in the energy sector in Great Britain.



3,300

Citizens Advice Bureaux in England and Wales

140,000

energy problems brought to our Bureaux every year

1.1m

energy-related visits to our website

50,000

energy-related calls to our consumer helpline

How can 'economic signals' serve consumers?

'How can we combine the pressures and use cases from all different market actors into a future pricing system that serves all our needs and is 100% cost reflective?'



'How can we understand what kind of price signals consumers would like to see and would be able to respond to?'

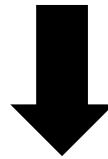


Three challenges for policy

- **Coordination** between the signals from different parties – is there a need for a means of aggregating the signals from suppliers, networks and system operators?
- **Clarity and comparability** of signals and terminology – don't make an overcomplicated market even worse!
- **Fairness** of outcomes – how to take advantages of demand-side flexibility without disadvantaging vulnerable consumers or those unable to shift their usage

Empowering consumers to respond

No amount of economic signal will be effective if consumers do not have the basic flexibility and control of their usage to respond.



DSO business case for domestic DSR (if any) will depend on new developments such as smart appliances, electric vehicles and heat pumps (see [our recent assessment of GB trials under the Low Carbon Networks fund](#))



Policy on the future role of DSOs must be joined up with policy on appliances and energy efficiency.



Smart appliances are expensive + affluent consumers known to have more flexible in usage anyway → serious challenge of flexibility haves and have nots?

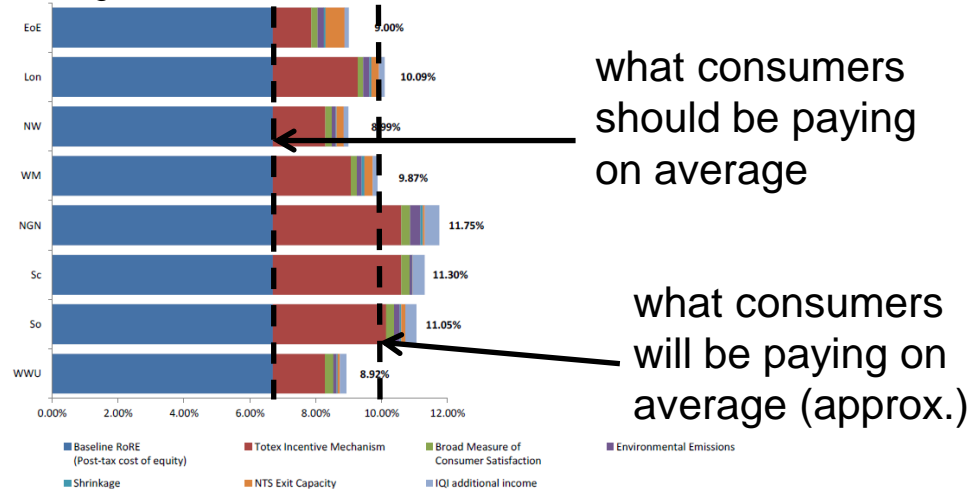
Passing through the benefits

Good news:

GB consumers are forecast to save £900m thanks to smart grid innovation in electricity distribution 2015-23

Bad news:

GB gas distribution networks forecast return 2013-21

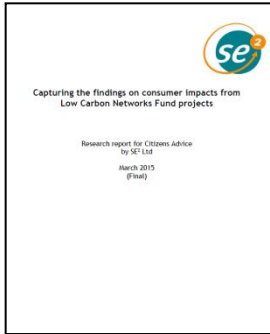


Difference: £1.6bn over 8 years, or c.£60/household!

Output-based incentives work so long as the targets are set high enough – they need to pose an extra challenge to networks to deliver for consumers, not just an extra revenue stream.

Innovation incentives work so long as there is a mechanism for transitioning innovation into business as usual.

Citizens Advice



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citizensadvice.org.uk/capturing_the_findings_on_consumer_impacts_from_lcnf_projects.pdf or search 'citizens advice capturing lcnf findings'



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