

Identifying market signals for the electrification of heat

EIP025

28 February 2023

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Background

- The Government has set out to install **600,000** heat pumps a year by **2028**
 - There are a number of support schemes towards capex and stimulate installations
 - It's vital we incentive the right consumption behaviours (and the hardware to enable them) early on to minimise future **system costs**
 - Past innovation projects (such as the Bristol Heat: Heat as a Service Trial and NGED's Equinox heat pump flexibility trial) have demonstrated that heat pumps can respond to market signals while meeting consumer comfort
 - Yet, current and future market signals (retail tariffs and SO signals) to incentive flexible consumption or heat storage are less clear
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- **What would be the cost to T/D networks, if these heat pumps installed by 2028 are not flexible?**
 - **Before the implementation of REMA, what market signals we could send to heat pump owners/suppliers/aggregators to enable flexible consumption in the short to medium-term?**

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Enablers

- Regulation of heat pump capabilities, smart controls, metering, ToU tariffs etc

Constraints

- Smart metering roll out
- Market wide half hourly settlement
- Aggregation requirements for SO services

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Involvement and Implementation

- Key Stakeholders – ESO, DSOs, Gov policy teams, suppliers/aggregators, enabling tech providers
- Target Market – 800,000 households a year by 2028
- Target Implementation Date – research in 2023/24, changes implemented in markets from 2025

Energy Innovation Basecamp

28 February 2023
ICC Birmingham

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