

Energy Markets and Affordability Team  
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and

Future Retail Market Design Team  
Office of Gas and Electricity Markets  
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Dear Sirs and Madams

### **Flexible and Responsive Energy Markets**

Thank you for the opportunity to take part in this important national debate about how to ensure a regulatory framework in future, which both facilitates innovation and continues to protect the interests of energy consumers.

We are broadly supportive of the vision and goals of this consultation and believe that enabling innovation in the energy market can play a valuable role in continuing to protect the interests of consumers and in managing vulnerability.

Our business strategy seeks to ensure that the benefits of maximising value from industry assets are shared with the whole market. This has very real and practical application in the delivery of services to consumers and we welcome the opportunity to look for innovative ways to use our assets and data to this effect.

We note that at present there are several consultations out, all with remits which interact and cross over with each other, particularly on the topics of vulnerability, Codes and governance. We would welcome an overarching approach from Ofgem which will ensure consistency and co-ordination in the development of future policies.

Annexe 1 contains our answers to several of the questions posed. We have not answered all questions as we believe several of the questions are primarily matters for Suppliers.

Yours Faithfully

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## **Annexe 1 – Response to consultation questions**

### **Q1. Do you agree with our vision for the future of the energy retail market, the outcomes we are seeking to achieve and our characterisation of the key challenges we need to overcome?**

We broadly agree with the vision for the future of the energy retail market outlined in this consultation. However, we would like to see more defined criteria for determining and measuring the successful delivery of the target outcomes. In addition, we believe that a guiding industry principle should be to re-use existing industry assets in order to extract the maximum consumer value from industry investments. This should be expressed as part of the 'Competitive prices for all' outcome.

We also broadly agree with the majority of the characterisation of the challenges which will need to be overcome, however we believe that more emphasis needs to be put on the need for a framework to be put in place which can truly support the expected pace of future innovation. This could include the ability to be able to rapidly test and prove new concepts and business models using either legacy or new technologies.

Finally, we believe the characterisation of 'Ensuring customers in vulnerable situations receive the services they need' does not adequately address the issue of vulnerable customers or those in fuel poverty. One challenge in providing a consistent service for vulnerable customers is the lack of a centrally managed priority register of those customers, not just across suppliers, but also across distribution networks and even further afield, including other home service industries such as water or broadband. As such we re-iterate our position from our Consumer Vulnerability Strategy 2025: that we recognise the need for the energy market to effectively engage with and support those who are vulnerable, but believe that the key challenge which needs to be addressed is how this is approached in a holistic manner across multiple markets.

Expanding on this, it is our view that there is an opportunity for the energy industry to lead on a central vulnerability service and we have already engaged with the Safeguarding Consumer Working Group to that effect. We believe that our data, combined with data from other industries, could provide better protection through managed services to vulnerable customers across multiple industries.

Currently GDPR rules restrict the ability to move data more freely, even when secure, so a cross-industry model which would provide benefit to the end consumer is not possible. It is our view that as an industry we should seize the opportunity to look for ways to overcome such problems. As a data controller for example, we could work with many organisations, including unlicensed parties, in order to realise the potential benefits to vulnerable customers. We would welcome BEIS and Ofgem's views on such proposals.

### **Q5. Are incremental changes to regulation sufficient to support the energy transition and protect consumers? Or does this require a more fundamental reform, such as moving to modular regulation?**

As previously stated, we believe that there needs to be a regulatory framework in place which enables rapid market innovations. This is so that the energy markets can keep up with the expected pace of technology change and ensure that customers can benefit from the new business models and services which are likely to result from new technology developments.

The introduction of the net zero obligation is likely to hasten the desire to introduce new technology-driven services and business models, as the energy market looks for ways to de-

carbonise energy consumption through changing consumer behaviours, de-centralised solutions and using alternative fuels.

For these reasons we do not believe that the energy transition will be adequately enabled by incremental reforms only, but that a more fundamental reform of regulation is required to encourage a diverse range of new market entrants, including niche players who wish to focus on specific market segments or services.

Upon reviewing the consultation, we do not believe that this is a longer-term reform option, but one that should be seriously considered immediately as it shows promise in addressing some of the fundamental problems in the current regulation which this consultation is setting out:

- It would enable innovation and new market entrants through removing the barriers to entry faced by many firms and new business models
- A modular regulation approach could be more easily reviewed and amended as fit
- This would enable better choice and competition for consumers as well as enabling technologies and services which support the net zero obligation to be commercialised
- An authorisation regime or new licenses for new activities risks stifling innovation, by acting as a barrier to entry still for organisations without a supply license or discouraging pilot style activities. Businesses risk spending money on an innovation but not receiving the required license, and having to apply for a new license with each new activity

**Q11. Do you agree that now is not the time to make further changes on system and network cost recovery, metering and access to data as part of this retail market review?**

We agree that now is not the time to make further changes on system and network cost recovery, or on metering, however we would support a regulatory framework that enabled changes to both the cost recovery and metering obligations to be reviewed if and when emerging business models required it.

We also concur that this retail market review does not need to bring forward further changes on access to data, as there are already several other reviews and pieces of work in flight. However, we would like more rigour to be set out as to how this review will interact with the other reviews and recommendations, given that there has been a steer that several regulatory position papers will include Energy Data Task Force (EDTF) recommendations in them.

It is our view that adopting the recommendations of the EDTF, particularly the 'presumed open' approach to energy systems data, is key to developing truly effective cross-market products and services for vulnerable consumers. Vulnerable customers are one practical example where we believe there are benefits to be found from an open data principle in the energy market, however we believe there are others.

One such example we have experienced is through looking for opportunities to work with price comparison websites. In an open data world, we could provide them with more than just a properties consumption information, but with address details as well. The benefits of this would be to reduce erroneous transfers which can occur due to manually entered address information being incorrect. This has clear benefits to consumers and to improving wider industry processes as a whole. At present though, the governance that must be endured in order to allow this information to be shared is cumbersome and as a result, price comparison organisations are not taking up the service we can provide.

**Q13. How could any potential distortions related to high cost-to-serve customers be addressed, for example by the provision of additional support services for customers struggling to afford their energy?**

We broadly agree with the need to explore ways of providing support to customers struggling to afford their energy costs. Problems with debt affect the whole energy industry, negatively penalising customers with good payment history through cost recovery. However, problems are particularly weighted towards impacting vulnerable customers and as such we would maintain that it is necessary for the challenge of vulnerability, debt and fuel poverty to be addressed in a holistic manner across multiple markets.

Xoserve would welcome the opportunity to explore ways to use our data for the benefit of identifying at risk consumers and looking for opportunities to work as an industry to provide additional services. We would re-iterate our view that adopting the recommendations of the Energy Data Task Force, particularly the 'presumed open' approach to energy systems data, will be key to developing truly effective cross-market products and services for vulnerable consumers.

**Q17. What protections or support may be required to engage consumers in vulnerable situations in the future market?**

In our response on the 'Draft Consumer Vulnerability Strategy 2025' we set out our view that that the first step is to decide whether the required support is about the ability to pay or about the services provided to the vulnerable, or indeed a combination of the two. A focus on the former might point to the introduction of special tariffs for those struggling to pay their bills, whilst consideration of the latter might lead to the introduction of a suite of 'essential services' that are 'free at the point of delivery' to all energy consumers, supplemented by 'value add' services paid for by those consumers who elect to use them.

Re-iterating our response from question 13, we would welcome the opportunity to explore ways to use our data to identify at risk consumers and support activities to engage such vulnerable consumers in future markets.

**We have not provided a response to the following questions as we believe these are primarily a matter for Suppliers:**

Q2. Are there examples of new products, services and business models that would benefit current and future consumers, but are blocked by the current regulatory framework?

Q3. Are there current or emerging harms to energy consumers which are currently out of scope of the regulatory framework? Do these differ for domestic and non-domestic consumers?

Q4. Would it be beneficial to allow suppliers to specialise and provide products and services to targeted groups of customers? If so, how can this be delivered while balancing the need for universal service?

Q6. Are there any other potential market distortions we should be considering as part of our review?

Q7. Would removing the thresholds for the Energy Company Obligation and Warm Home Discount help remove imbalances in the retail market, and could this be done without significantly increasing barriers to supplier entry or expansion in the retail market?

Q8. How could the delivery burden on suppliers from the Energy Company Obligation be reduced, for example through the introduction of a buyout mechanism?

Q9. What effect does the range of Energy and Climate Change Policy Levies have on the retail market?

Q10. What actions could government take to reduce any negative impact of Energy and Climate Change Policy Levies?

Q12. What total costs do suppliers face with regards to bad debt and supporting consumers who struggle to pay for their energy?

Q14. Would addressing market distortions (for example size-based obligation thresholds for some policy schemes, supporting those who are struggling to afford their energy bills) help reduce incentives for suppliers to adopt pricing strategies that lead to excessive prices for loyal consumers? If so, to what extent (providing quantitative evidence, where possible)?

Q15. What are your views on the measures being considered to address loyalty penalties in different markets? What approach or – combination of approaches – would be most effective in the energy retail market?

Q16. What other approaches could be adopted to ensure loyalty penalties do not re-emerge?