Energy Markets and Affordability Team
Department for Business, Energy and Industrial Strategy
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And

Future Retail Market Design Team
Ofgem
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Calvin Capital
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1 Marsden Street
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16 September 2019

Dear Sirs

Re: Flexible and Responsive Energy Retail Markets- Putting consumers at the centre of a smart, low carbon energy system

I refer to your consultation published 22 July 2019.

Calvin Capital Limited (hereafter referred to as CCL) is very pleased to respond to your consultation

CCL is a Meter Asset Provider (MAP) providing metering solutions for energy suppliers. We deliver conventional, SMETS1 and SMETS2 meters to a wide range of suppliers.

CCL has reviewed the consultation and has responded to the questions set out below, based upon our views as a MAP and with consideration to our strategy to be a funder of emerging energy assets such as EV.

Our responses to your specific consultation questions are set out below.

Where a question is not specific to a MAP, we have not responded.

If you have any questions regarding our response or require any further clarification, please do not hesitate to contact me.

Yours sincerely

Lynne Hargrave

Regulation Manager

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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?

Yes

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?

While energy storage/solar and EV are exciting technologies that shifts end-users from passive customers to active prosumers, it will be adopted most readily by those who can easily contract for these devices. This may be a large capital outlay or high financing charge taken in combination with battery storage/ roof top solar production and/or an electric vehicle. In these cases, the benefits will accrue to those who have the most capital or strong credit ratings. Calvin Capital believe that the benefits of these products should be available to all end-users regardless of their upfront ability to pay. There is a benefit for both the customer end-user, the optimisation of our energy networks and to society at large in the journey to meet requirements of sustainable energy. The principles that should be considered in delivering new products/services and business models should be:

- That energy asset finance can and should be separated from the competitive service provider to support commercial interoperability, competition and customer access.

- New products/services and business models should be capable of operating in a commercial energy market rather than private long-term arrangements that may not be best value or benefit to the customer. Customers should not be locked into services related to their energy devices over the long-term which are only secured through an integrated finance and service provision model.

- All energy end-user customers should have equal access to the benefits of energy storage regardless of their ability to afford the device upfront.

- New initiatives commercialise fastest and deliver the most benefit when a shared, common approach is formed that provides efficiency, transparency and effectiveness to information definition and its exchange.

- Demonstrate commercial interoperability using real data exchange across actual licensed energy Suppliers to provide confidence for financing organisations.

- Re-use existing central industry systems and data exchange approaches, protecting government investment and extending its return through new uses. Use of these government central pillar systems should provide a basis for easy adoption by the market and most effective route to fast scaling of deployment for the widest benefits creation.

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 nondomestic consumers?

The benefits of smart metering have been unlocked for all energy consumers through a standard approach to the device financing which separated the ownership from the energy Supplier. This separation both liberates the Supplier from competitive churn risk and opens up access to the device on the basis of consent without any conflict of interest. On this basis Calvin Capital feel it is beneficial to explore the ways in which a similar finance model and existing energy industry central systems can be used to demonstrate a viable approach for energy innovations commercialisation. We believe the most cost-effective approach is one that enables a rapid transition to full commercialisation at scale on a competitively interoperable basis delivered with a minimum of industry change. There is a financial/logistical difference between the products offered to 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?

Yes using the principles outlined in Q2.

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?

Most of the incremental options discussed are available today but are not currently used by Ofgem or the Secretary of State. These existing powers need to be used so that we can assess whether they can provide sufficient support to allow innovation to flourish in the current market. Only once these powers have been used and the results assessed can it be determined whether more fundamental regulatory reform is required.

The consultation implies that the Government may consider the regulation of meter asset provision (MAP) activities in the future under a modular regulatory approach. MAP activities are currently unregulated and operate as a competitive commercial service. We do not believe that regulation of MAP activities which will introduce additional costs from monitoring and reporting activities will benefit consumers and this is consistent with the decision made by Ofgem back in 2007 when MAP activities were removed from the current regulatory framework.

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

N/A

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?

N/A

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

N/A

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

N/A

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

N/A

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 the current supplier obligations in respect of metering should not be reviewed within the timeframe of this retail review. The on-going smart meter rollout is already introducing significant change into the metering arena and it is important that no further changes are made at this time thus enabling suppliers to concentrate on achieving their smart rollout targets.

The introduction of smart metering and market wide half-hourly settlement are both enablers for the introduction of new and innovative services and technologies such as "behind the meter demand splitting" via Elexon proposal P379 currently under development. It would appear sensible to allow time for these enablers to be introduced and their impacts on innovation to be assessed before introducing further change.

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

N/A

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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?

N/A

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)?

N/A

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?

N/A

Q16. What other approaches could be adopted to ensure loyalty penalties do not reemerge?

N/A

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

N/A

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