



Forward Work Programme 2014-15

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Overview:

This Forward Work Programme outlines the projects we think will make the greatest difference to consumers in the coming financial year. A draft version was consulted on between December and February. Responses have been considered and where appropriate the FWP has been updated to provide clarification.

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Chairman's Foreword

This has been a challenging year for consumers, who are understandably concerned about increases to their energy bills. The level of public interest in the energy market and whether it is working properly continues to rise, and so does the interest in what we do.

Very close attention is being paid to our priorities and it is important that we get these right. I will be taking time with the Authority over the coming months to review and set out Ofgem's forward strategy, including performance measures and corporate structure, to deliver our broad work programme successfully. Our focus will be on the next five-year period and on the outcomes we can secure to make a positive difference for energy consumers. In the meantime, we will use the projects and programmes set out in this document to deliver consumer benefits.

Our principal objective when carrying out our functions is to protect the interests of existing and future electricity and gas consumers. For network costs, which are around a fifth of the consumers bill and where competition is not the driver, we regulate charges. For a large part of the consumer bill we work to ensure competition bears down on costs. This year we will have delivered the most radical changes to the energy retail market since competition began and these reforms will make the market simpler, clearer and fairer for consumers.

We have published, jointly with the Office of Fair Trading and the Competition and Markets Authority (CMA), our State of the Market Assessment. This confirmed our previous analysis of why competition is not working as well as it could for households and small businesses. We have acted to remove uncertainty from the energy market by proposing a market reference to the CMA and are seeking stakeholder views on this proposal. A market investigation would allow the CMA to use its more extensive powers to decide if there are any further reforms needed to improve competition in the market. An investigation would be complementary to Ofgem's reforms to make the market simpler, clearer and fairer. We will continue to take action to protect consumers, making timely changes in parallel with any CMA investigation.

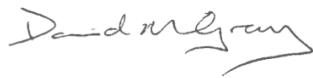
Our price control review for electricity distribution companies will focus on delivering greater value for money for consumers while maintaining reliability and enabling a switch to more sustainable energy solutions. A key challenge for us is to ensure that we achieve value for money for consumers, while also continuing to ensure security of supply and facilitating the move to a low-carbon economy.

A key aspect of our work to protect consumers is to protect those who are most vulnerable. A number of our projects, including work under our Consumer Vulnerability Strategy, will take account of the needs of consumers in vulnerable positions as well as set expectations of the industry. These projects alongside others also contribute to achieving longer term sustainability consistent with our duties.

Promoting security of supply is increasingly important, as Britain's gas import dependency continues to rise. Investment is needed in new power stations as older, polluting power plants are being closed down. The Government has taken the lead on this through the Electricity Market Reform programme but there is an important role for Ofgem in its implementation. We are also aware of the need to upgrade GB's network infrastructure, the wires and pipes that deliver energy to consumers. We do this through our price controls but we are also working to improve the coordination of major strategic investments in the networks.

In all of this we are increasingly linked to Europe and to the wider global energy markets. We will continue to strengthen our relationships with the international community and continue to represent the UK on the board of the Agency for the Cooperation of Energy Regulators (ACER). We are also ensuring that we maintain clarity in our relationship with the UK government and strengthening joint work with other regulated sectors. We continue to work with DECC on development of the Strategy and Policy Statement (SPS) established under the Energy Act 2013 to outline respective roles and responsibilities. Alongside this, as part of our response to the opportunities offered by working across sectoral boundaries, we are active in the UK Regulators' Network (UKRN), which brings together the nine UK economic regulators to ensure effective collaboration across sectors.

Our role has expanded over time. Today we deliver a large number of the government's consumer and environmental schemes that contribute towards carbon reduction targets and reducing fuel poverty. These include the Energy Companies Obligation, Renewables Obligation, Feed-in-Tariff and Warm Home Discount. The existing Renewable Heat Incentive will increase in scope and open to domestic consumers in spring. Here, we will continue to work closely with DECC on implementing policy, ensuring value for money and ensuring that industry complies with these schemes.



David Gray
Chairman

Introduction

Our work programme for 2014-2015 sets out the projects that will make the greatest difference to energy consumers in the coming year.

Delivering an affordable, secure and sustainable energy system has been our most important priority for a number of years. It remains so. How we do this has changed over time to reflect both the challenges of the day and the full breadth of our increased responsibilities.

The challenges faced by those who deliver energy policy are considerable, and the continuing case for independent regulation to influence, enforce and increase confidence has never been stronger. These challenges include:

- Costs increasing throughout the supply chain.
- Investment needed to ensure security of supply as margins in electricity and gas fall to historically low levels.
- Pressures to meet low-carbon targets.
- The need to ensure energy affordability and combat fuel poverty.

We have grouped our activities for 2014-15 around four themes:

1) Promoting value for money

Increases in consumers' bills have been well documented in the media. It is important for consumers to know that we are doing everything we can to ensure value for money. We do not control end consumer energy prices, but we do regulate the charges that network companies can charge to consumers through price controls.

Our Retail Market Review is making the energy market simpler, clearer and fairer to empower consumers. We have produced the first annual report on the state of the market, working jointly with the Office of Fair Trading (OFT) and the newly formed Competition and Markets Authority (CMA). This confirmed that competition is not working as well as it could for households and small businesses and we are proposing a market investigation by the CMA. We will continue to monitor the retail market and the effectiveness of our reforms. We will press on with further reforms for example to ensure that brokers, switching sites and other intermediaries act in consumers' interests. Should, following consultation, we confirm our decision to refer the market to the CMA we will work closely with them throughout the reference.

The potential benefits of smart metering need to be maximised. We are making changes to existing market arrangements which includes work to deliver a faster, more reliable change of supplier process.

Our price control for electricity distribution will give companies an incentive to invest in low-carbon technologies while ensuring value for money for consumers.

2) Promoting security of supply

Consumers expect gas and electricity to be available at all times. DECC's Electricity Market Reform is leading work to attract investment to the UK market, which is needed to replace infrastructure and meet future increases in electricity demand. Our

work helps ensure security of supply. For example, we incentivise network companies to keep interruptions to a minimum. Our work on balancing the electricity system will give generation and supply companies stronger incentives to match energy consumption with the energy supplied to the market. We are also working to encourage gas shippers to do all they can to maintain the flow of gas in the run-up to a gas-deficit emergency. We are coordinating investment in transmission so that it is planned, designed and built in the most efficient way.

3) Promoting sustainability

Promoting sustainability includes improving protection for vulnerable consumers, promoting more efficient use and transmission of energy, and ensuring environmental improvements across all aspects of the energy system.

We will improve consumer protection on green and renewable tariffs and provide greater clarity in this market.

Our new Consumer Vulnerability Strategy will help us to serve those most in need.

Our regulation of networks will prompt network companies to make the transition to a low-carbon energy network and incentivise innovation that benefits consumers.

Our Smarter Markets work will consider how smart meters can support consumer choice and energy-saving, and identify the consumer protection measures needed in areas such as pre-payment and billing.

We will continue our programme of work protecting and empowering microbusinesses.

4) Ensuring efficient delivery of government's consumer and environmental objectives

Ofgem E-Serve administers a range of consumer and environmental schemes on behalf of government. We also manage the regulatory regime for offshore electricity transmission networks, which we established in collaboration with DECC.

Our work is assisting the government to make considerable progress towards realising its decarbonisation targets. We are achieving this by creating a more diverse, low-carbon and secure energy mix.

In this work we need to adapt to changes in government policy and make sure delivery is efficient. During the coming year we will build on previous successes through our Continuous Improvement Programme. We will also launch the next round of Offshore Transmission tenders and the Domestic Renewable Heat Incentive. We will continue to administer the Energy Companies Obligation (ECO), the new energy efficiency scheme.

This document

In addition to the sections mentioned above, this Forward Work Programme also includes:

- A section on budgets and spend towards the end of the document;

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- A list of the major deliverables as currently planned (Appendix 2). Project planning will continue across the portfolio and delivery dates may change; and
 - A list of Key Performance Indicators (KPIs) that Ofgem reports on to the Gas and Electricity Markets Authority and in our Annual Report and Accounts. These KPIs are set out in Appendix 3.
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1. Promoting value for money

1.1. The cost of energy for householders and businesses faces a number of pressures. These include meeting low-carbon targets, tackling fuel poverty, investment required to ensure security of supply and increasing reliance on imported gas. In this environment, it is important for consumers to know that we are doing everything we can to ensure value for money.

1.2. We promote value for money for consumers by making sure the wholesale and retail markets work in consumers' interests and by regulating the network companies and system operators so they work efficiently. We encourage consumers to engage with the retail market. Through our Retail Market Review (RMR) reforms, we are providing consumers with clearer information about their energy costs, making tariffs simpler and ensuring that consumers receive fair treatment from suppliers. The State of the Market Assessment which we have published jointly with the OFT and the CMA has confirmed that competition is not working as well as it could for households and small businesses. We have proposed a market investigation by the CMA. Any investigation would be complementary to our RMR reforms. We will continue to take action to protect consumers and will make timely changes in parallel with any CMA investigation.

1.3. We keep a close eye on the rules which govern the wholesale energy markets to make sure they are in consumers' best interests. These rules also need to be flexible enough to adapt to changes in industry and policy set by the UK Government and the European Union. We play an important role in ensuring wholesale market integrity and one of our priorities for next year is to protect against insider trading and manipulation of wholesale markets in Britain and across Europe. European policies for energy markets will shape the way that the GB market develops, and we will continue to influence the direction and detail of these policies to reflect the interests of GB consumers.

1.4. We have implemented System Operator (SO) incentive schemes that are designed to encourage National Grid Electricity Transmission (NGET) and National Grid Gas (NGG) to operate the electricity and gas transmission systems efficiently and economically, while managing the costs of operating each system. The System Operator incentive schemes establish cost targets that NGET and NGG are expected to achieve. We monitor their performance against these cost targets.

1.5. Transmission and distribution networks need increased investment to meet security of supply and low-carbon objectives. On 1 April 2013 our new approach to price controls came into effect, setting and monitoring the amount of revenue network companies recover from customers over the next eight years. Known as 'RIIO' (**R**evenue = **I**ncentives + **I**nnovation + **O**utputs), it currently covers transmission and gas distribution, but we are preparing for the electricity distribution price control that will come into effect in April 2015.

1.6. By the end of the decade the government aims for all consumers to have smart meters. Smart metering presents an opportunity to make retail energy markets work better for consumers: it means they can make informed choices about

making more efficient use of energy, and increase value for money. Through our Smarter Markets Programme, we are making the switching process faster and more reliable for consumers, driving settlement reform to facilitate time of use tariffs and demand side response, and improving consumer protection (especially for vulnerable consumers), as we move to a more sustainable economy.

1.7. We have an important role in overseeing the metering market to protect consumer interests, during the transition to smart metering and in the longer term. This includes regulating the newly created Data and Communications Company (DCC) and monitoring the roll out of smart meters.

1.8. We are improving transparency of prices and profits in the energy sector. Since 2009, we have improved the information available on energy company profitability. We now require the 'big six' largest energy companies to produce annual statements of the revenues, costs and profits of their generation and supply businesses. We publish a supply market indicator as a tool for assessing trends in customer bills, costs and margins of the big six's retail businesses. We also publish a breakdown of average bills by the different cost components. Our aim is to make the energy market clearer by showing trends in the costs that suppliers face and the bills that they charge to consumers.

Key projects planned for 2014-15

- We are seeking views on our proposal to make a **market investigation reference to the Competition and Markets Authority (CMA)** by 23 May. We will publish our decision in the summer. We will work closely with the CMA during any reference and will continue with the range of projects aimed at protecting consumers, improving competition and maintaining security of supply.
 - We will follow through on our **Retail Market Review**, running an awareness campaign to ensure that consumers know how to use the new information and protection available to them and are encouraged to engage. We will consider the appropriate treatment of White Label deals and assist more vulnerable consumers to engage in the market.
 - In addition to our RMR proposals, we are launching a review of the wider regulatory framework for **Third Party Intermediaries (TPIs)**, including areas where TPIs are taking or seeking to take active roles in the domestic sector. We will publish an issues paper for consultation in the first half of 2014.
 - We will continue to monitor the retail market and will evaluate the effects of the **Retail Market Review** reforms on consumer engagement.
 - We will ensure that **smart meters** bring about better value for money for consumers. Work programmes include: speeding up the change of supplier process; introducing settlement reform to facilitate time of use tariffs; considering the regulatory framework required for demand side response; and looking into how better to protect and/or empower consumers in the future.
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- We will work with DECC on its regulatory design for smart meter rollout. We will continue to carry out our regulatory functions during 2014-15 as the Secretary of State begins to implement the regulatory changes. These will include monitoring suppliers' compliance with relevant licence obligations and regulation of the new Data and Communications Company.
- We will continue to improve the **transparency of energy company profits**. We will improve the timeliness and auditor scrutiny of company statements through licence amendments. We will conduct a review of transfer pricing methodologies and consider the best way to provide further transparency on the trading activities of the large companies.
- The current **Electricity System Operator (NGET) incentive scheme** expires in March 2015. We will consult and develop incentive scheme arrangements that build on and improve the current scheme. The **Gas System Operator (NGG)** has three incentives expiring in March 2015. These incentives are designed to improve maintenance and demand forecasting, and minimise disruption. We will consult on this and develop arrangements for when the current schemes expire.
- We will rapidly implement the EU regulation on **wholesale energy market integrity** (REMIT). REMIT establishes, for the first time, a consistent EU-wide framework defining market abuse in the form of market manipulation. It introduces explicit prohibitions of market manipulation and insider trading in wholesale energy markets; launches a new framework for monitoring; and says that National Regulatory Authorities (NRAs) should be given powers to enforce these prohibitions. We have been working closely with the Agency for the Cooperation of Energy Regulators (ACER) and other NRAs to implement these new arrangements, and we will continue to do so. We will also continue to develop our regular dialogue with the Financial Conduct Authority (FCA), given the close interdependencies between energy and financial markets. We received powers in 2013 from DECC to enforce against the existing REMIT prohibitions, and continue to work together to get the powers to enforce data collection requirements, due to take effect in 2014. We will work with government in obtaining powers to enforce against criminal market behaviour, similar to that in the financial markets.
- We will monitor how the GB wholesale electricity market complies with the **Transmission Constraint Licence Condition** which prohibits generators from obtaining an excessive benefit from electricity generation in relation to a period of transmission constraint.
- We will monitor carefully the impact of our reforms to enhance **liquidity** in the forward wholesale electricity market. These reforms will deliver opportunities to enable independent generators and suppliers to compete effectively, to encourage competition between the major energy suppliers, and to increase transparency of wholesale energy prices. We will also work with industry to consider ways to more generally improve transparency in the wholesale energy market. This will include considering the extent to which non-confidential information could be published to facilitate this.
- We are committed to supporting the transition of the GB market to a secure, low-carbon, affordable market that is integrated with the wider

European market. Work is already underway to address some of the challenges that our trading arrangements will face to remain fit for purpose and adapt to the changes triggered by Government policy, EU reforms and market trends. We will continue the **Future Trading Arrangements (FTA) Forum** to provide a coherent approach to, and build consensus on, the principles of GB electricity trading arrangements and new requirements from the changing markets and legislative framework. The forum identified the need to provide a framework for considering the configuration of bidding zones in GB. We will develop and consult on our views.

- We will conclude our **Enforcement Review**, which aims to increase the impact and efficiency of Ofgem enforcement work, while remaining proportionate, consistent and targeted.
 - We expect to conclude a number of **investigations** and progress cases across Ofgem functions. Our enforcement activities make sure energy market participants meet their obligations towards consumers, deter non-compliance, and ensure that energy markets are as competitive as possible.
 - We will continue to emphasise to market participants that they are wholly responsible for ensuring that they comply with their regulatory obligations. We will work to ensure that regulatory obligations are clear and will monitor industry **compliance** on the basis of risk so as to provide the greatest overall benefit to consumers and the market.
 - We will continue to capture and publish information on **company performance and the consumer experience**, recognising that value for money is about service as well as price. For example, we will publish the result of our review of supplier complaints handling, which we undertake every second year. We also analyse supplier practices in areas such as direct debits and non-domestic backbilling. We will report on how suppliers deal with consumers in debt, as set out in chapter 3.
 - We will continue to operate the **Confidence Code** for Price Comparison Tools, which assures consumers that they can trust the results of accredited services. We will review the Code to see whether it remains fit for purpose, taking account of emerging business models, with the aim of extending the Code's reach and profile in the market.
 - We will pursue our **price control review for electricity distribution** (RIIO-ED1) to be ready to implement from 1 April 2015. This will address changes to incentivise companies to meet the new demands which will be placed on them through the take up of low-carbon technologies.
 - On our review of **competition in connections** we have given customers a choice as far as possible about who connects them to the main distribution network. This is important because the speed and cost of connections can affect economic growth and development. Electricity distribution networks were given until the end of 2013 to demonstrate they had removed barriers to competition in nine market segments. In 2014-15 we will review the position and consider whether further action is necessary.
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- On our review of the approach to the **extension of gas distribution networks** to help the **fuel poor**, we established measures in the RIIO price control for gas distribution to help those who are not on the gas distribution network and are in fuel poverty. We will review some of the detailed arrangements for these.
- On **reporting network company performance**, with eight-year price controls, it is more important than ever that we monitor performance and delivery of outputs and obligations and that consumers and other stakeholders see how network companies are performing. We will put in place revised arrangements to ensure this is the case.
- Through the **Smart Grid Forum**, which we chair jointly with DECC, we will explore how to maximise the benefit of smart grids for consumers.

2. Promoting security of supply

2.1. The electricity market will be shaped by investment in new generation and retirement decisions for old and more heavily polluting generation plants, as well as changes in demand side participation in the market, all in the context of technological developments. Some new generation is intermittent, such as wind, or inflexible such as nuclear. The market will be supported by significant network investment, including increased interconnection.

2.2. The gas market will be shaped by declining indigenous gas production, the potential of shale, increasing reliance on gas imports from continental Europe and beyond, greater interconnection with neighbouring countries and increasing liquefied natural gas import and storage capacity. Well-functioning markets in continental Europe are vital to Britain's security of supply.

2.3. The European Third Energy Package created a new legal framework: it provides for legally binding pan-European network codes, designed to remove barriers to cross-border trade, integrate national markets and ensure security of supply and system operation with high levels of renewable generation. Collectively these network codes will form the basis of the Target Model for Europe's gas and electricity markets. Ofgem will continue to take a leading role on ACER's Board and in its working groups, and to engage with the European Commission and other stakeholders on these topics. We will look at what the European Target Model means for GB markets, and make sure we can support secure and efficient system operation.

2.4. The government's analysis for the Electricity Market Reform (EMR) shows that in this decade around £75 billion could be needed in new generation capacity. This is in addition to the £35 billion of investment needed for electricity transmission and distribution. The unprecedented challenges facing Britain's energy industry, identified in Ofgem's Project Discovery (2010) still remain. We are playing our part by attracting investment through our RIIO network price controls and by working with Government to ensure our wholesale market arrangements support EMR in encouraging generation investment. In particular in our regulation of the System Operator (SO) the government has asked us to regulate the new duties the SO will take on as the delivery body for EMR.

2.5. In October 2012, we provided DECC with the first annual Electricity Capacity Assessment which showed that electricity margins could fall from 14 per cent in 2012/13 to four per cent in 2015/16.

2.6. The Government also asked us to review whether action is needed to ensure that medium to long-term gas supplies for consumers remain secure. Our Gas Report, published in November 2012, showed that it is very unlikely that events would combine to jeopardise supply to customers, but the potential consequences of such an event would be very significant. Ofgem expects to be further involved, helping government define measures for potential deeper consideration.

2.7. Our interconnector cap and floor regime development and interconnector policy work are building understanding of how interconnection can contribute to

supply security and integration of renewable generation. We will work with Government and other utility regulators in Europe to share this insight and ensure it is taken into account, for example when developing Capacity Mechanisms, or the European Target Model for cross-border trade. The new regime will also create a positive environment for investment, to encourage development of new cross-border capacity and benefits for consumers.

2.8. We are improving coordination of strategic investment across the different transmission regimes (onshore, offshore and interconnector) to plan, design and build them in the most efficient way. EU initiatives such as the North Sea Countries' Offshore Grid Initiative will establish the wider EU context.

Key projects planned for 2014-15

- We will support the Government to implement its **Electricity Market Reform (EMR)** proposals, aiming to assure security of supply in the face of increased generation intermittency. We will deliver our second **Electricity Capacity Assessment** to align with the timings of EMR.
- We will complete our **Gas Significant Code Review (SCR)** for a gas deficit emergency. If suppliers do not have enough gas to cover their contracts they will pay a cash out price that better reflects the value of security of supply to customers. Changes will be implemented in July 2015.
- We will develop proposals under our **Electricity Balancing SCR** to improve charging arrangements when power companies don't generate, or buy, enough electricity to meet their contracted supply or demand. The objectives include sending clear price signals to the market in times of scarcity in the face of increased generation intermittency, and promoting investment in flexible capacity to improve electricity security of supply. We will publish our final decision in Spring 2014. Changes will come into effect in 2015.
- The future British market will increasingly involve supply and demand from Europe, and we will work with **ACER and European Regulators** on the development of network codes to implement the European Target Model, removing the barriers to cross-border trade, promoting market integration, and enabling interconnection with neighbouring markets. There is a close connection to our Electricity Balancing SCR work. Interconnector assets play an important role in security of supply by allowing energy to flow to where the power is valued most. They will play an important role in the integration of European markets.
- The **Integrated Transmission Planning and Regulation project (ITPR)** is a review of the GB electricity transmission arrangements for system planning and asset delivery. This helps ensure that in the long term the regulatory framework remains able to develop the overall network in an efficient, coordinated and economic way. We published our emerging thinking last year, and this year we will publish initial conclusions on system planning and asset delivery options.

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- Related to our work on ITPR, we will be developing the regulatory regime for **electricity interconnector investment** to help facilitate economic and efficient interconnector investment.
 - Under RIIO, through our **Strategic Wider Works (SWW)** Review, we will consider proposals for the build out and reinforcement of the electricity transmission network.
 - Following a future industry code panel recommendation, we expect to conclude **Project TransmiT**, ensuring the charging methodology for the use of transmission assets promotes efficient generation build in order to deliver security of supply.
 - We plan to work with the Financial Conduct Authority and industry to encourage implementing suitable principles for forming **benchmark prices**. We will challenge industry to increase the availability of information about completed transactions.
 - We will progress our review of **gas transmission charges** to ensure they are fit for purpose, compatible with a single European market and create the right incentives, including on security of supply.
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3. Promoting sustainability

3.1. Ofgem has a principal objective to protect the interests of existing and future gas and electricity consumers, including their interests in reducing greenhouse gas emissions. In doing so we must have regard to the interests of particular consumers, including but not limited to those who are disabled, sick, pensioners, in rural areas or on a low income. We are also required both to contribute to the achievement of sustainable development and to take into account Government guidance on social and environmental matters. Each year we report on contributions we have made to sustainable development in the energy sector (most recently July 2013).

3.2. EU and UK targets for curbing greenhouse gas emissions and increasing renewable energy provide the overall policy direction for the energy sector. Given this, we ensure that our regulatory frameworks enable the network companies to respond to challenges created by this low-carbon transition, while ensuring long term value to customers. Our RIIO regulatory regime incentives encourage network companies to innovate to better understand how they can provide security of supply and value for money, as Great Britain moves to a low-carbon economy. This is partly through innovation strategies in network companies' business plans and also through our network innovation competitions for network companies in partnership with third parties. These are:

- The £500m Low Carbon Networks Fund (LCN) Fund, which is part of the current electricity distribution price control.
- The Electricity and Gas Network Innovation Competitions (NICs), which are elements of the new RIIO-T1 and RIIO-GD1 price controls. Up to £27m per year is available through the Electricity NIC and up to £18m per year is available through the Gas NIC.

3.3. These funding competitions provide network operators with the opportunity to try out new technology, operating and commercial arrangements which will help them better meet the challenges presented by the low-carbon transition.

3.4. We have put in place a new Consumer Vulnerability Strategy, which will inform how we consider vulnerability across our work, as well as setting expectations of the industry. This considers what risk factors put consumers in a vulnerable position, in terms of their circumstances and how the market operates.

3.5. This Strategy includes a review of the Priority Services Register and how suppliers can identify vulnerability. On the retail side, we will explore new ways of providing advice or support to vulnerable consumers and enable them to engage confidently with the energy market, directly or through intermediaries. We will consider how collective switching might benefit vulnerable consumers. On the networks side, we participate in a Fuel Poverty Advisory Group focusing on off-gas-grid consumers, and are planning to review the off-gas grid extension scheme through the electricity distribution price control process, to prompt alternatives for consumers who are off the gas network.

3.6. Smart meter roll-out is a key government policy designed to help the transition to a low-carbon economy and transforming how energy markets operate. We will take forward our consumer empowerment and protection project. In 2014-15 we expect our focus to be on prepayment meters, billing accuracy and options and extending our Retail Market Review rules to time of use tariffs. These areas are all, however, subject to consultation.

3.7. Our work on consumer issues will continue to be informed by consumer insight and research, for both domestic and non-domestic customer groups.

3.8. We will work with Government, European energy regulators and EU institutions on delivering low-carbon initiatives and measures for consumers. These will help develop new markets, such as energy efficiency, electricity demand reduction and heat networks.

Key projects planned for 2014-15

- We will run our annual competition for innovative electricity distribution projects funded through the **Low Carbon Networks Fund**.
 - The **RIIO-ED1 price control** will include a number of environmental and social outputs which we will fund network companies to deliver. Our cost proposals will incentivise Distribution Network Operators to manage their networks efficiently and facilitate demand response and reduction measures.
 - We will run our annual competition for electricity transmission, and gas transmission and distribution projects funded through the **Network Innovation Competitions**.
 - We will run projects aimed at growing sustainability, as part of our **Smarter Markets Programme**. These projects will focus on demand side response and electricity settlement, to create a market environment that supports efficient, system-wide use of demand-side response and accommodates the roles of different parties. The electricity settlement arrangements will create the right incentives for suppliers to encourage demand-side response. We will work to deliver a more accurate and efficient settlement process and will develop proposals on the use of half-hourly metered data.
 - Under this programme we will take forward work under the Consumer Empowerment and Protection project and we expect our focus areas to be **prepayment meters**, billing accuracy and options and extending our Retail Market Review rules to time of use tariffs.
 - We will award up to £4million to electricity transmission companies that demonstrate best practice in business sustainability, under the first year of **Environmental Discretionary Reward** scheme.
 - We will deliver the work plan of the Consumer Vulnerability Strategy. We will monitor and report on suppliers' obligations towards customers who
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are at risk of **debt or disconnection** and deliver help and advice to vulnerable consumers.

- We will continue our programme of work focused on **micro-businesses**.
- We will update our guidelines and policies on **green electricity tariffs** to provide clarity and protection for consumers.
- We will publish updated guidance on **Licence Lite**, a supplier licence that imposes fewer direct regulatory burdens on the licensee and facilitates new entry, for example for distributed generators.
- We will continue our focus on **Community Energy**, working with stakeholders to identify, understand and improve regulatory interactions and tackle any barriers.
- We will **report** publicly on contributions that we have made to sustainable development in the regulated energy sector.
- We will implement our revised guidance on our **approach to impact assessments**. This guidance incorporates our conclusions on strategic sustainability considerations, new cross-border European impacts that we must consider, and recent equalities legislation.
- We will report on performance against our current **Better Regulation Simplification Plan**, including our commitment to publish a statement on transparency, and develop a new Plan for 2014-15.

4. Ensuring efficient delivery of government consumer and environmental objectives

4.1. The UK government is committed to cost-effective renewable energy as part of a diverse, low-carbon and secure energy mix. Working closely with the Department of Energy and Climate Change (DECC), Ofgem E-Serve has helped the government to make considerable progress towards realising its decarbonisation targets. Through the consumer and environmental programmes we administer for government, as well as our role in offshore transmission tendering, we are helping oversee major changes impacting on consumers and the industry.

4.2. The period July 2012 to June 2013 has seen electricity generation from renewable sources reach 47.5 TWh, a 24 per cent increase on the same period the year before¹, while new markets have been built for renewable heat. We have played a major role in these achievements through the delivery and management of the schemes and programmes we administer.

4.3. The consumer and environmental schemes we administer for government are wide-ranging. They cover support mechanisms for renewable electricity projects, ensuring domestic energy suppliers support fuel poor customers, improving domestic energy efficiency and promoting the uptake of small-scale renewable and low-carbon electricity generation and renewable heat. We also regulate offshore transmission – the links that connect offshore wind farms to the onshore grid.

4.4. During 2012-13 we implemented, administered and ensured compliance for the schemes, in line with our objectives, while identifying opportunities for process improvements. The total estimated value of the schemes we administer exceeded £5 billion.

4.5. The schemes and programmes are managed by teams working in distinct business areas of E-Serve – Renewable Electricity, Renewable Heat, Energy Efficiency and Social Programmes and Offshore Transmission. Information on each of the schemes and programmes can be found on our website, www.ofgem.gov.uk.

Renewable Electricity

4.6. The Renewable Electricity business area administers the Renewables Obligation (RO), Feed-in-Tariff scheme (FIT), Climate Change Levy (CCL) exemption, Renewable Energy Guarantees of Origin (REGO) scheme and Non Fossil Fuel Obligation (NFFO)/Scottish Renewables Obligation (SRO). Between 1 April 2012 and 31 March 2013:

¹ UK Renewable Energy Roadmap Update 2013, DECC, November 2013

- We registered 131,650 new installations under the **Feed in Tariff (FIT)** scheme, in total generating almost 1,675 GWh of electricity. The scheme was worth £497 million.
- 48,915,432 **Renewables Obligation** Certificates (ROCs) were presented to us, with the total worth of the Renewables Obligation reaching nearly £2 billion.

Renewable Heat

4.7. We administer the Renewable Heat Incentive (RHI). Between 1 April 2013 and March 2014 we made £36.08 million of payments under the **Non-Domestic RHI** scheme and approved a total of 2653 applications..

Energy Efficiency & Social Programmes

4.8. We administer the **Energy Companies Obligation (ECO)** and the **Warm Home Discount (WHD)** Scheme. Since the start of ECO, 603,050 measures have been installed in 507,191 properties to January this year.

Offshore Transmission Tenders

4.9. We run the competitive tender process to select Offshore Transmission Owners (OFTOs). The offshore transmission regime has had considerable success in delivering cost-effective investment, attracting new entrants and new sources of finance. To date, the regime has granted nine OFTO licences, attracting over £1.4 billion of new investment into the UK transmission sector, while ensuring considerable savings for consumers.

4.10. We will continue to play our part in building and connecting electricity links from offshore wind farms to the onshore grid. We will also ensure they provide value for money to consumers, through the tender process.

Fraud prevention and efficiency savings

4.11. With such large sums of money involved in these programmes, we have enhanced our fraud prevention procedures: we have implemented a fraud policy and action plan, and training for all staff on how they can help prevent and report fraud. This strengthens Ofgem's prioritisation of fraud prevention.

4.12. We are implementing a Continuous Improvement Programme (CIP), which supports our aim of delivery excellence. Benefits brought about via performance improvements have already generated significant savings. This continues the trend of reducing the administration costs to overall policy cost ratio from just under 1% to 0.7% more recently. CIP will help us meet future challenges, strengthen our ability to deliver quality standards, and create cost savings for consumers.

Key projects planned for 2014-15

4.13. During the coming year we will look to build on our successes while ensuring further efficiency gains through the CIP. In addition to administering the schemes we will also focus on the following priorities in 2013-14:

- The **Domestic RHI** scheme launches in Spring 2014. A dedicated project team has been in place in 2013-14 implementing the required systems, processes, guidance and customer support services to enable smooth administration of the scheme. This has been done in conjunction with industry stakeholders, consumer groups and DECC. This will be the first scheme with a transactional interface with the public and application volumes in 2014-15 are expected to be between 28,000-50,000.
 - We will continue to administer **ECO**. We are also liaising with DECC on their proposed changes to the scheme which may be implemented in late 2014.
 - We will administer the **RO**, working with DECC on the transition to the new CFD scheme which goes live in 2014.
 - We will continue to administer the **WHD** and **FIT** schemes efficiently and respond to applicants promptly. To ensure smooth running of our systems, we will make any updates to reflect changes that government makes to the schemes. We will also publish annual reports for these schemes and complete the annual levelisation process for the FIT scheme.
 - We will deliver **Offshore Transmission Tender Round 3**, with a tender process enhanced from what previous tenders taught us. We will also implement licence changes for the Generator Commissioning Clause of the Energy Bill as well as publishing a regulatory report on OFTO revenues.
-

Budgets and Spend

Funding

1.1. Ofgem's budget is funded by fees collected from licensed energy companies. Ofgem E-Serve's costs are met from a variety of sources, predominantly either from the schemes themselves, such as the offshore wind programme and the Renewables Obligation, or from DECC's budget. We also receive a contribution from the Department of Environment, Food and Rural Affairs (Defra) to cover our proportion of the costs of running the headquarters building shared by Ofgem and Defra.

Five-year plan

1.2. Ofgem's estimated gross costs for the next five-year period are set out below.

Figure 1: Ofgem's expenditure

£m	2013-14 planned	2014-15	2015-16	2016-17	2017-18	2018-19
Smarter Grids & Governance	18.9	18.7	18.5	18.1	18.0	18.8
Markets	19.4	20.4	20.3	20.4	20.3	20.6
Sustainable Development	11.7	11.6	11.6	11.6	11.5	11.6
Scotland, Wales & the Regions	1.5	1.7	1.7	1.7	1.7	1.8
Ofgem E-Serve	31.0	37.6	37.3	38.6	42.4	44.4
Contingent spend DECC projects	8.0	0.0	0.0	0.0	0.0	0.0
Total	90.5	90.0	89.4	90.4	93.9	97.2

1.3. As described in this Forward Work Programme, there are some very substantial projects planned for 2014-15.

1.4. Our work programme in 2014-15 includes a number of projects where the level of work is currently uncertain and will be shaped by consultation and dialogue with our stakeholders.

Cost control regime

1.5. 2009-10 was the last year of Ofgem's first five-year cost control regime. We saved a total of £11.9 million over the five year period.

1.6. GEMA has determined that Ofgem should operate a further five-year cost control regime running from 2010-11 to 2014-15. GEMA also determined that the regime should continue on the basis of RPI-3 per cent with a maximum year-end carryover of savings up to £5 million. We anticipate savings of at least £12.5 million from this regime. In 2014-15 budgeted expenditure of £90.0 million is within the budget ceiling of £90.2m (as shown below).

Figure 2: Ofgem's RPI-3 per cent Calculation

£m Rate Applied	2010-11 2.4%	2011-12 4.8%	2012-13 4.8%	2013-14 3.1%	2014-15 2.7%
Agreed year end carry over					£5.0
Baseline	£81.5	£81.0	£73.5	£79.9	£90.6
Adjustment for:					
Smart Meters	-	(£9.6)	-	-	-
Offshore	-	£1.0	-	-	-
EMR	-	-	0.6	-	-
DECC projects	-	-	4.5	9.1	-
ITPR	-	-	-	1.6	-
RPI	£2.0	£3.4	£3.8	£2.8	£2.4
Baseline +RPI	£83.5	£75.8	£82.4	£93.4	£93.0
Less X (3%)	(£2.5)	(£2.3)	(£2.5)	(£2.8)	(£2.8)
Budget Ceiling	£81.0	£73.5	£79.9	£90.6	£90.2

1.7 RPI was determined as 2.4 per cent for 2010-11, 4.8 per cent for both 2011-12 and 2012-13, 3.1 per cent for 2013-14 and 2.7 per cent for 2014-15.

1.8 Ofgem has moved to an outcome based approach to planning and business performance reporting (outcomes in Appendix 2). This approach will utilise relevant market indicators and internal performance data to analyse the effectiveness of Ofgem's regulatory framework in relation to the outcomes. The analysis will use a mixture of qualitative and quantitative data to understand the correlation between Ofgem policy, and projects, and their impact on market activity. Ofgem will investigate action, and reaction, by consumers, Government and energy companies in relation to policy and activity. This information will be fed back into the planning process to ensure that activities undertaken by Ofgem have the desired impact with making a difference for energy consumers at its heart.

Appendix 1 - Glossary of terms

A

Agency for the Cooperation of Energy Regulators (ACER)

The Agency for the Cooperation of Energy Regulators is an Agency of the European Union by the 3rd Liberalisation Package in 2009. ACER became fully operational on 3 March 2011. Its seat is in Ljubljana, Slovenia.

B

Better Regulation Simplification Plan

In all our work we need to consider whether the way we regulate is sufficiently transparent, accountable, proportionate, consistent and targeted. To maintain our focus on these principles, we have to report annually on the progress we have made to remove unnecessary burdens. We do this in our Simplification Plan, which reports on progress and sets out what we'll do in the year ahead to reduce or remove burdens. This document is our eighth annual Simplification Plan.

C

Capacity Assessment

The Electricity Act 1989 obliges Ofgem to provide the Secretary of State with a report assessing different electricity capacity margins and the risk to security of supply associated with each alternative. Ofgem's capacity assessment report is to be delivered to the Secretary of State by 1st September every year, starting in 2012.

Climate Change Levy (CCL) exemption

The Climate Change Levy exemption is a tax on UK business energy, which is charged at the time of supply. We administer a certification scheme that provides evidence for the tax exemptions for renewable source electricity and indirect supplies of good-quality combined heat and power electricity.

Community Energy

Community projects or initiatives focused on reducing, managing, generating or purchasing energy. This includes both communities of place (communities within a defined local area) and communities of interest (non-geographical areas united by shared interests, such as workplaces or faith groups).

Confidence Code

The Code of Practice that governs independent energy price comparison sites.

The Confidence Code insists that its members follow key principles for how they must operate their service.

Consumer Vulnerability Strategy

This Strategy sets out our approach to identifying and tackling consumer vulnerability in the energy market. The role of the Strategy is to guide our work on vulnerability, as well as guide our expectations of the energy companies.

D

Domestic Renewable Heat Incentive

The Renewable Heat Incentive (RHI) is a Government environmental programme that provides financial incentives to increase the uptake of renewable heat. The Department for Energy and Climate Change (DECC), has announced that it intends to open a renewable heat incentive scheme to households from spring 2014.

E

Energy Companies Obligation (ECO)

The Energy Company Obligation (ECO) is the government's domestic energy efficiency programme. It works alongside the Green Deal and provides, among other measures, insulation and heating packages to low income and vulnerable households.

Enforcement

Ofgem investigates companies which may be:

- breaching the terms of their licence.
- acting anti-competitively.
- breaching consumer protection law.

Electricity Market Reform (EMR)

The Government-led Electricity Market Reform Project which aims to develop and deliver a new market framework that will ensure secure, low-carbon and affordable electricity supplies.

Environmental Discretionary Reward Scheme

The Government-led Electricity Market Reform Project which aims to develop and deliver a new market framework that will ensure secure, low-carbon and affordable electricity supplies.

European Target Model

The agreed design for European wholesale electricity and gas markets, in particular covering use of interconnectors, as set out in European network codes to promote

the internal market in energy. For electricity, this includes market coupling and intraday trade; for gas, auction of bundled hub-to-hub capacity products.

F

Feed-in-Tariff scheme (FITs)

The Feed-in-Tariff scheme (FITs) is an environmental programme introduced by the government to promote widespread uptake of a range of small-scale renewable and low-carbon electricity generation technologies.

Fuel Poor

A household is said to be fuel poor if it needs to spend more than 10 per cent of its income on fuel to maintain an adequate level of warmth.

G

Gas Security of Supply Report

This document contains an assessment of the medium to long term gas security risks to Great Britain. The report also contains some assessment of potential further measures to mitigate these risks.

Gas Significant Code Review

The Gas Significant Code Review (SCR) aims to sharpen the incentives on suppliers who fail to provide enough gas to customers when supply and demand is tight.

I

Integrated Transmission Planning and Regulation (ITPR)

The ITPR project is a review of the current arrangements for system planning and delivery to determine whether they are appropriate to achieving a long-term efficient integrated network - onshore, offshore and cross-border.

L

Liquidity

Liquidity is the ability to quickly buy or sell a product without causing a significant change in its price and without incurring considerable transaction costs.

Liquid Market

A market characterised by the ability to buy and sell with relative ease.

Licence Lite

Licence Lite was developed as means of incorporating small scale suppliers, which typically formed part of a community sized energy scheme, into the market and regulatory arrangements. The Licence Lite policy was developed to address concerns that simply raising exemption limits would potentially leave large numbers of consumers unprotected by the competitive market, and ensuring barriers to entry for smaller-scale decentralised energy projects were reduced while maintaining the integrity (and cost-reflectivity) of regulatory arrangements.

Low Carbon Networks Fund

As part of the electricity distribution price control arrangements that run from 1 April 2010 to 31 March 2015, Ofgem established the Low Carbon Networks (LCN) Fund. The Fund allows up to £500m support to projects sponsored by the distribution network operators (DNOs) to try out new technology, operating and commercial arrangements. The objective of the projects is to help all DNOs understand what they need to do to provide security of supply at value for money as Great Britain (GB) moves to a low-carbon economy.

M

Micro-business

A company which:

- consumes less than 200,000 kWh of gas a year, or
- consumes less than 55,000 kWh of electricity a year, or
- has fewer than ten employees (or their full-time equivalent) and an annual turnover or annual balance sheet total not exceeding €2m

N

Network Innovation Competitions

Annual competitions for funding for research, development and demonstration of new technologies, operating and commercial arrangements. The objective of the NICs and the Low Carbon Networks Fund is to help network companies understand what they need to do to provide security of supply at value for money as Great Britain moves to a low-carbon economy.

Non Fossil Fuel Obligation (NFFO)/Scottish Renewable Obligation (SRO):

Before the introduction of the Renewables Obligation in 2002, the Non Fossil Fuel Obligation (NFFO) and the Scottish Renewable Obligation (SRO) were the government's primary instrument of renewable energy policy, requiring the then Public Electricity Suppliers to buy electricity from renewable generators. They are no longer open to new generators, but existing contracts will continue until they expire.

O

Offshore Transmission

DECC and Ofgem established a competitive regulatory regime for offshore transmission in June 2009. We run the tender process to select Offshore Transmission Owners (OFTOs), which ensures that offshore wind farms are connected to Great Britain's onshore electricity network economically and efficiently.

P

Project Discovery

Project Discovery was Ofgem's year-long study of whether the current arrangements in GB are adequate for delivering secure and sustainable electricity and gas supplies over the next 10-15 years. Its findings were published in February 2010.

R

Regulation on Wholesale Energy Markets Integrity and Transparency (REMIT)

REMIT is a European Union (EU) Regulation which is aimed at preventing market abuse in wholesale energy markets. It establishes a new framework for monitoring of wholesale energy markets and prohibiting market abuse. Within 18 months from its entry into force DECC will amend domestic legislation and will give Ofgem new investigatory and enforcement powers that will enable Ofgem to take enforcement action against companies found to have breached the new rules.

Renewable Energy Guarantees of Origin (REGO) scheme

The Renewable Energy Guarantees of Origin scheme exists to promote and increase the contribution of renewable energy sources to electricity production across the EU. It also sets out increased transparency to consumers, allowing them choice to purchase renewable or non-renewable electricity.

Renewable Heat Incentive (RHI)

The Renewable Heat Incentive is a government environmental programme that provides financial incentives to increase the uptake of renewable heat.

Retail Market Review (RMR)

Ofgem's Retail Market Review aims to encourage and equip consumers to engage effectively so that they can get the best deal from the energy market. The latest consultation on RMR was published in October 2012.

RIIO (Revenue = Incentives + Innovation + Outputs)

Ofgem's new regulatory framework, stemming from the conclusions of the RPI-X@20 project, to be implemented in forthcoming price controls. It builds on the success of the previous RPI-X regime, but better meets the investment and innovation challenge by placing much more emphasis on incentives to drive the innovation

needed to deliver a sustainable energy network at value for money to existing and future consumers.

RIIO-Electricity Distribution Price Control Review 1 (RIIO-ED1)

The price control will set the outputs that the 14 electricity distribution companies (DNOs) need to deliver for their consumers and the associated revenues they are allowed to collect for the eight-year period from 1 April 2015 to 31 March 2023.

S

Significant Code Review (SCR)

The SCR is a new modifications process introduced through the Code Governance Review. This process allows Ofgem to develop modifications proposals before directing them to be raised.

Smart Metering

Ofgem is providing regulatory expertise and advice to the Government's central programme responsible for delivering the rollout of smart metering. We are also taking steps to put in place appropriate consumer protections.

Smarter Markets

By the end of the decade, it is the government's aim that all consumers should have smart meters for gas and electricity. This roll-out provides a platform for transforming how energy markets operate, benefitting consumers through innovative products, better service, lower costs and more effective competition. To make progress towards our vision, our strategy is to proactively identify, and see implemented, changes to market arrangements to enable the development of smarter markets.

Strategic Wider Works

Strategic Wider Works (SWW) is a framework for providing interim funding for critical large-scale investments that the Transmission Owners (TOs) (National Grid Electricity Transmission (NGET), Scottish Power Transmission (SPTL) and Scottish Hydro-Electric Transmission Ltd (SHETL)) identify as required.

System Operator (SO) incentive schemes

Generally each year we develop System Operator (SO) incentive schemes that are designed to encourage National Grid Electricity Transmission (NGET) and National Grid Gas (NGG) to operate the electricity and gas transmission system respectively in an efficient and economic manner, and to effectively manage the costs of operating each system.

T

The Third Package

The Third Package is a key step in implementation of the internal European energy market. It recognises the need for better co-ordination between European network operators and continuing co-ordination between regulators at that level. When discussing the 'Third Package' in this document we are referring to Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and to Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators.

Third Party Intermediaries

Third Party Intermediaries (TPIs) are parties who engage in direct or indirect activities between a domestic or non domestic consumer and an energy supplier to assist consumers with their energy supply needs.

Transmission Constraint Licence Condition

A transmission constraint occurs where the transmission system is unable to transmit the power supplied onto the transmission system to the location where the demand for that power is situated, and can arise due to a number of reasons. The Transmission Constraint Licence Condition (TCLC) will apply to all periods of transmission constraint regardless of how the constraint arises. A transmission constraint period is any period when a transmission constraint occurs, regardless of the duration.

TransmiT

Project TransmiT is Ofgem's independent review of the charging arrangements for gas and electricity transmission networks, and the connection arrangements that DECC has explicitly left for Ofgem and the industry to resolve.

W

Warm Home Discount (WHD) Scheme

The Warm Home Discount Scheme requires domestic energy suppliers to provide approximately £1.13 billion of direct and indirect support arrangements to fuel poor, customers over four years.

Appendix 2 – Deliverables 2014 – 15

Theme 1 - Promoting Value for Money			
Activity	Action	Outcome	Period
Distribution	RIIO ED1 non-fast track Draft Determination published	Value/Environment	Q2
Distribution	RIIO ED1 non-fast track Final Determination published	Value/Environment	Q3
Distribution	ED1 Regulatory Instructions and Guidance (RIG)s review published	Value/Environment	Q4
Distribution	DPCR5/RIIO- TI/RIIO-GD1 annual reports published	Value/Environment	Q4
Markets	Submit National report to EU Commission	Reliability	Q2
Markets	Review of Typical Domestic Consumption Values	Value/Trust/Transparency	Q4
Markets	Change of supplier decision document	Value/Reliability/Trust/Environment	Q2
Markets	Report on framework for Demand Side Response - Progress Report	Value/Reliability/Trust/Environment	Q3
Markets	Arrangements for regulation of Third Party Intermediaries (TPIs) in the non-domestic retail market	Value/Trust/Transparency	Q2
Markets	Annual report on Consolidated Segmental Statements	Value/Trust/Transparency	Q3
Markets	Annual State of the Market Report	Value/Trust/Transparency	Q1
Markets	Publish decision on improving transparency of energy company profits	Value/Trust/Transparency	Q2
Markets	Publish decision on White Label suppliers	Value/Trust/Transparency	Q3
Sustainable Development	Publish revised Enforcement Guidelines	Trust	Q3
Sustainable Development	Publish revised statement of penalties	Trust	Q3
Sustainable Development/ Markets	Confidence Code Review	Trust/Transparency	Q2
Sustainable Development	Protection and empowerment of SME's - stakeholder engagement event	Trust/Transparency	Q3
Sustainable Development	Review of supplier complaints handling	Value/Trust	Q3

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Sustainable Development	Review of domestic suppliers direct debit practices	Value	Q4
Theme 2 - Promoting Security of Supply			
Activity	Action	Outcome	Period
Markets	Capacity assessment report to Secretary of State	Reliability/Environment	Q3
Markets	Statutory Security of Supply Report	Reliability	Q3
Markets	Electricity Balancing Significant Code Review final policy decision and directions	Reliability	Q2
Markets	Electricity Balancing Significant Code Review licence change consultations	Reliability	Q3
Markets	Gas Significant Code Review code and license changes	Reliability	Q3
Transmission	Integrated Transmission Planning and Regulation proposals	Value/Environment	Q2
Theme 3 - Promoting Sustainability			
Activity	Action	Outcome	Period
Sustainable Development	Annual letter to Secretary of State	Environment	Q2
Sustainable Development	Publish final proposals for green supply guidance	Transparency	Q1
Sustainable Development	Publish updated Licence Lite guidance	Stakeholder confidence	Q3
Sustainable Development	Publish Environmental Discretionary Reward scheme results (for 2013-14 scheme year)	Environment	Q3
Sustainable Development	Better regulation simplification plan	Business Capability	Q1
Sustainable Development/ Markets	Report on responses to Consumer Empowerment & Protection consultation paper, including workplan for Phase 1	Value/Trust/Transparency	Q1
Sustainable Development	Priority Services Register consultation	Value/Trust	Q1
Sustainable Development	Social obligations report	Value/Trust	Q3
Sustainable Development	Consumer Vulnerability referrals guidance	Value/Trust	Q4

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Sustainable Development	Consumer Vulnerability Strategy review	Value/Trust	Q3
Sustainable Development	Guaranteed and Overall Standards of Performance consultation	Value/Reliability	Q1
Distribution	Decisions on Network Innovations and Low Carbon Networks Fund competitions.	Environment	Q3
Theme 4 - Ensuring Efficient Delivery of Government's Consumer and Environmental Programmes			
Activity	Action	Outcome	Period
Offshore	Publish regulatory report on OFTO revenues	Through excellence in administration ensure offshore renewable generation is connected to GB electricity grid economically and efficiently	Q3
Offshore	Implement licence changes for the Generator Commissioning Clause in Energy Bill	Through excellence in administration ensure offshore renewable generation is connected to GB electricity grid economically and efficiently	Q2
RHI	Complete annual report on the Renewable Heat Incentive scheme	Through excellence in administration reduce carbon emissions and meet EU renewable targets	Q2
FIT	Complete annual report on the Feed-in-Tariffs scheme	Through excellence in administration, increase the update in small scale renewable generation	Q4
FIT	Complete annual levelisation process	Through excellence in administration, increase the update in small scale renewable generation	Q2
RO	Complete annual report on Renewables Obligation	Through excellence in administration to increase proportion of electricity from renewable sources	Q4
WHD	Complete annual report on the Warm Home Discount scheme	Through excellence in administration to support fuel poor customers	Q2
Organisational Health			
Activity	Action	Outcome	Period
Finance and Risk Management	Publish 2014-15 Annual report and accounts	Business Capability	Q2
Finance and Risk Management	Publish the Fossil Fuel Levy Rate for 2015-16	Business Capability	Q3
Project Management	Publish the Forward Work Programme 2015-16	Business Capability	Q4

Outcomes: Further to the delivery of or contributing to:

- Value** – Establishing the optimum balance of competition and regulation to provide energy at the minimum cost to consumers.
- Safety** – Energy consumers are able to rely on networks without fear of life or injury.
- Reliability** – Energy consumers have gas and electricity available on demand at all time and are swiftly connected or reconnected.
- Environment** – Contribute to meeting GB environmental targets.
- Transparency** – Energy consumers benefit from increased transparency in the market place.
- Trust** – Energy consumers are protected, engaged, receive fairer treatment and have greater trust in the market place.
- Delivery of Government Programmes** – Through excellence in administration delivering schemes better, faster and cheaper.
- Stakeholder Confidence** – Stakeholders understand Ofgem’s role and how our work makes a positive difference for energy consumers.
- Business Capability** – Energy consumers benefit from Ofgem operating efficiently as a business enabling effective regulation.

Appendix 3 – KPIs 2014 – 15

Activity	Metric (KPI's)	Details of what is being measured	Outcome	Frequency	Annual target 2014-15
Theme 1 - Promoting Value for Money					
Markets	Third party access	Consult on and carry out consultations regarding any applications made for exemption from Third Party Access arrangements under Article 22 by prospective storage and interconnector operators	Business Capability/Reliability	Ongoing (as applications are received)	100%
Markets	Third party access	Send decisions on Article 22 exemptions to the European Commission within prescribed timescales if adequate data has been provided	Business Capability/Reliability	Ongoing (as applications are received)	100%
Sustainable Development	Customer service	Protect consumers by responding substantively to customer contacts	Business Capability/Trust	Quarterly	93% - 10 working days
Sustainable Development	Enforcement	Produce statement of case or inform party under investigation of what action we propose to take. (This KPI is subject to further work).	Business Capability/Trust	Quarterly	100% within 9 months of formal investigation
Markets	Third party access	Consult on and carry out consultations regarding any applications made for exemption from Third Party Access arrangements under Article 22 by prospective storage and interconnector operators	Business Capability/Reliability	Ongoing (as applications are received)	100%

Theme 2 - Promoting Security of Supply					
SG & G Distribution	Licensing	Make code modification decisions within 25 working days of receiving the Final Modification Report (or, where applicable, final responses to a Final Impact Assessment or other Ofgem consultation) and, where applicable, publish code modification Impact Assessment (or other Ofgem consultation) within 3 months of receiving the Final Modification Report.	Business Capability/Trust	Quarterly	90%
SG & G Distribution	Licensing	Grant competitive licence applications within 45 days of receipt of a duly made application	Business Capability/Trust	Quarterly	100%
Theme 3 - Promoting Sustainability					
SG & G Distribution	Determinations	Determinations to be progressed to decision within 3 months, as applicable.	Business Capability/Reliability	Quarterly	3 months
SG & G Distribution	LNCF	Announcements of NIC/LCNF ISP decisions within one month of ISP submission.	Business Capability/Reliability	Quarterly	1 month
Theme 4 - Ensuring Efficient Delivery of Government's Consumer and Environmental Programmes					
E-Serve	Non-Domestic RHI processing	Enquiries to be answered within 10 working days.	Through excellence in administration reduce carbon emissions and meet EU renewable targets	Quarterly	90% within 10 working days
E-Serve	Non-Domestic RHI processing	Follow up with generators on outstanding issues with their applications for accreditation.	Through excellence in administration reduce carbon emissions and meet EU renewable targets	Quarterly	90% within 10 working days
E-Serve	Non-Domestic RHI processing	Payments to be made within 30 working days of quarterly periodic data submission.	Through excellence in administration reduce carbon emissions and meet EU renewable targets	Quarterly	95% within 30 working days
E-Serve	Non-Domestic RHI processing	The on-line application system will be available for a minimum of 99% of the supported business hours (excluding planned down time). Supported business hours are 08:00-17:30 Monday to Friday excluding bank holidays.	Through excellence in administration reduce carbon emissions and meet EU renewable targets	Ongoing	99% availability
E-Serve	Offshore processing	Licence grant within 70 days of commencement of Section 8a consultation	Through excellence in administration ensure offshore renewable generation is connected to GB	Quarterly	70 working days

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			electricity grid economically and efficiently		
E-Serve	Offshore processing	Preferred Bidder selection within 120 days of ITT submission (excluding BAFO)	Through excellence in administration ensure offshore renewable generation is connected to GB electricity grid economically and efficiently	Quarterly	120 working days
E-Serve	FIT processing	Follow up with the generators outstanding issues on their applications for accreditation.	Through excellence in administration, increase the update in small scale renewable generation	Monthly	90% within 10 working days
E-Serve	FIT processing	Feed-in Tariffs levelisation process to be completed in a timely manner after receipt of data from suppliers.	Through excellence in administration, increase the update in small scale renewable generation	Quarterly	95% within 22 working days
E-Serve	RO processing	Issue the main batches of renewable certificates following the generators' reporting deadline of their output data.	Through excellence in administration to increase proportion of electricity from renewable sources	Monthly	95% within 17 working days (Apr - Jun) 95% within 12 working days (July -Mar)
E-Serve	RO processing	Follow up with the generators outstanding issues on their applications for accreditation.	Through excellence in administration to increase proportion of electricity from renewable sources	Monthly	90% within 10 working days
E-Serve	WHD processing	Respond to obligated party Warm Homes Discount schemes for approval.	Through excellence in administration to support fuel poor customers	Monthly	100% within 28 days