

Consumer First

The Ofgem Consumer Challenge Group

The Ofgem Consumer Challenge Group is an independent group of energy experts that Ofgem invited to advise on the Electricity Distribution Price Control Review. This is the Group's interim report

Purpose of the Group

The Consumer Challenge Group was set up in July 2008 to assist Ofgem in ensuring that the consumer view is fully considered during its Electricity Distribution Price Control Review.

The Review will set the distribution element of electricity prices for the period 2010-2015. Ofgem has a programme of consumer research but wished also to bring in additional expertise:

- *To provide consumer input into some of the more complex issues.*
- *To provide a 'critical friend' from the consumer's perspective ensuring that Ofgem have not missed any key issues and that the final package is a fair one for consumers.*

The Group acts in an advisory capacity to help inform the Authority's decision-making process. Ofgem has committed to taking the Group's views seriously and giving them due weight in the deliberation process but is not obliged to act on the views expressed. The Group and its members are not expected to sign up to Ofgem's decisions nor required to indicate in any way that they have done so.

Membership

The Group has six members. They were appointed by Ofgem on the basis of their expertise in the interests of present and future consumers and energy sector knowledge - four with a background in household consumer issues and two in business consumer issues. The members are appointed in an individual capacity and not as representatives of any organisational interest. The members are:

- Sharon Darcy: non-executive Director of Consumer Focus.
- Trisha McAuley: Head of Services and Advocacy at Consumer Focus Scotland.
- Jeremy Nicholson: Director of the Energy Intensive Users Group.
- Gill Owen: Chair of the Public Utilities Access Forum and Senior Research Fellow at University of Warwick Business School.
- Simon Roberts: Chief Executive of the Centre for Sustainable Energy (CSE).
- Bob Spears: Chairman of the Utility Consumers Consortium (UCC).

The Challenge Group has decided to publish this interim report to inform consumer organisations and other stakeholders about the work it has been doing. The Group also intends to publish a final report.



Process

The Challenge Group has been carrying out its task in a number of ways.

- Regular meetings of the group with Ofgem staff to discuss key factors and Distribution Price Control consultation papers issued by Ofgem
- Briefings from Ofgem staff on technical and other issues - including other work by Ofgem that may have relevance to the Distribution Price Control, such as the RPI-X @ 20 work stream and the Long Term Energy Networks Scenarios (LENS) project
- Meetings with the Authority's Distribution Price Control Committee which includes the Chair of the Authority and a number of other Executive and Non-Executive members
- A meeting with the Distribution Network Operators (DNOs)

Contextual considerations for the Group

The Group has been mindful of four issues that have helped to set a context for its work. These are:

- consumer priorities - i.e. what consumers most want from DNOs, such as standards of service and the areas that they see as most important for future investment
- economic climate - the impact that this might have on consumer priorities and on DNOs' financial positions
- environmental agenda - the challenges for all network businesses in identifying how they can reduce environmental impacts and accommodate new and developing policy priorities
- the role of regulation in a changing world, and how it is developing to meet new challenges and to take account of DNOs' past responses to regulation

Key issues considered by the Group

The Challenge Group has aimed to provide Ofgem with advice on consumer priorities for the price control. To help achieve this the Group has sought to identify the main questions that consumers have about the price control and what needs to be addressed in the various documents published by Ofgem throughout the price review process.



The following are some of the issues that the Group has considered and on which it has given views to Ofgem to date.

- performance - the use of output measures to provide consumers with greater clarity on what is being delivered by DNOs as a result of the price control
- the provision of information by DNOs to customers
- operating expenditure (opex) and capital expenditure (capex) incentives including the scope for encouraging demand side and non-network solutions
- worst served customers, including the specific needs of customers in rural and remote locations and the extent to which different groups of consumers should pay for improvements in service elsewhere on the network
- connections - customer information and satisfaction, the potential for greater competition and efficiency
- the scope for further reducing losses on the distribution network
- how DNOs engage with their customers and how company culture can become more proactive and customer facing
- willingness to pay research with customers - the strengths and the limitations of this type of research
- how networks might need to develop to deliver a low carbon electricity system and become more active in the balancing of supply and demand (what some have called 'smart grids'), including the sharing of risk between DNOs and consumers, due to uncertainties over timing and what investments in assets may be required
- innovation - including how to incentivise innovation and spread good practice, in areas such as preparing for a low carbon future

The Challenge Group has also encouraged Ofgem to provide a clear explanation - or 'narrative' - of how its thinking has developed over time. The Group hopes this will ensure that consumers are more able to understand the reasoning behind the approaches taken to what can otherwise be a set of rather technical issues.

If you would like to learn more about Consumer First or the Consumer Challenge Group, then please contact:

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