

# Sustainable Development News

*Bitesize*

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## Key Developments:

In recent months we have reached key milestones for several major projects, including the new RIIO price controls for gas and electricity transmission and distribution. These new price controls will facilitate the transition to a low carbon economy, providing both environmental and social outputs. As part of the RIIO-T1 strategy, the Environmental Discretionary Reward will incentivise transmission companies to consider environmental issues and goals, and assist in the growth of low carbon energy. We have also been working on our Consumer Vulnerability Strategy document which aims to recognise the potentially dynamic nature of vulnerability, and facilitate the ease of switching suppliers for vulnerable and fuel poor customers.



## Retail Market Review – Simpler, Clearer, and Fairer

Ofgem is consulting on plans for a package of simpler, clearer, fairer measures to improve the competitiveness of the household energy market. Our proposed reforms will include banning confusing multi-tier tariffs; limiting the number of core tariffs each supplier is allowed to offer; giving consumers information about their supplier's cheapest tariff on their bill; and a Tariff Comparison Rate to allow a clear comparison of tariffs across the market. [Link](#)

## Proposals for a new Consumer Vulnerability Strategy

In September, Ofgem published proposals for a new Consumer Vulnerability Strategy with an accompanying workplan. A key part of our proposed Strategy is to embed a more sophisticated understanding of vulnerability which recognises consumer circumstances can change over time. The proposed workplan for 2013/14 includes projects to help deliver the Strategy's objectives, including a review of the Priority Services Register for vulnerable consumers and creation of a new Consumer Vulnerability Network of stakeholder organisations [Link](#)

## Annual reports

In July we published Sustainable Development Focus, our annual round up of the organisation's contribution to sustainable development. 2011-12 highlights include the development of the RIIO price control including environmental and social outputs, the Retail Market Review which aimed to improve transparency for consumers in the retail market, a review of our vulnerable customers strategy, and Ofgem E-Serve's management of the introduction of the Renewable Heat Incentive and Warm Home Discount schemes. [Link](#)

The Carbon Emissions Reduction Target fourth year review was published in August. At the end of the fourth year of CERT the suppliers combined had achieved 241.8 Mt CO<sub>2</sub> or 82.5% of the overall target of 293 Mt CO<sub>2</sub>. With nine months of the programme remaining, suppliers will have to increase the rate of delivery for the Super Priority Group and Insulation Obligations if they are to demonstrate compliance. [Link](#)

The Annual Sustainability Report 2011-2012 was published in August 2012. It summarises key findings on sustainability information submitted by generating stations who claimed support under the Renewables Obligation during the 2011/12 period. [Link](#)

## Supporting effective switching for domestic customers with smart meters

In August we published our decision relating to the regulation of the early, voluntary deployment of domestic meters with smart capability by some energy suppliers. The new licence obligations we are putting in place aim to help domestic customers understand if the advanced domestic meter (ADM) services they are receiving will be maintained when they switch supplier and therefore to facilitate more informed switching for customers with these meters. From 1 January 2013, when larger suppliers lose an ADM-equipped customer, they must facilitate the continued use of the ADM's advanced functionality by the new supplier. [Link](#)

## Strategic and sustainability considerations discussion paper

In July we published a review of how we consider strategic and sustainability issues in our decision making. An approach which incorporates long-term and often qualitative considerations is already implicit in our guidelines; our aim is therefore to bring greater transparency and consistency, with structured guidance on what we should consider when assessing the strategic and sustainability dimensions of major decisions. We are engaging with industry participants and wider stakeholders to explore the implications of our proposals. [Link](#)

## Environmental Discretionary Reward decision letter

In July we published our decision to implement the Environmental Discretionary Reward (EDR) under RIIO-T1, the next transmission price control. We have listened to consultation responses and made a number of revisions, most notably incorporating the system operator into the scheme. Up to £4m of funding per year will be available. We have published the draft guidance for consultation on 30 October in the same area of our website. [Link](#)

## RIIO-GD1: Initial Proposals

In July we published a consultation on our initial proposals for the next gas distribution price control, RIIO-GD1. The outputs include an average 20% reduction in gas transportation losses (comprising around 95% of gas distribution networks' greenhouse gas emissions); reductions in other carbon emissions and natural resource use; connection of around 80,000 fuel poor households under the fuel poor network extension scheme; and improvements in customer satisfaction, complaints handling and stakeholder engagement. [Link](#)

## RIIO-T1: Initial Proposals for National Grid Electricity Transmission and National Grid Gas

In July we published our Initial Proposals for National Grid Electricity Transmission (NGET) and National Grid Gas (NGGT) in the next transmission price control, RIIO-T1. RIIO is an outputs-led framework. The proposed outputs include a financial reward for effective stakeholder engagement and a reputational incentive on business carbon footprints. For NGET there are also outputs relating to facilitating broad environmental objectives and for mitigating the visual impact of existing and new infrastructure. Final Proposals will be published in December 2012. [Link](#)

## Promoting smarter energy markets: a work programme

In July, we published our decision on a work programme for promoting smarter energy markets from the platform of smart metering. We have prioritised four areas of the market that require further analysis and where Ofgem needs to play a key role in policy development. This includes demand-side response, which has the potential to reduce bills for consumers, enhance security of supply and contribute to sustainable development. It also focuses on consumer empowerment and protection to help consumers participate effectively in smarter retail energy markets. [Link](#)

## CERT and CESP compliance open letter

In September, we published an open letter on our approach towards enforcement of the Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP). The schemes end on the 31st of December 2012 and companies who do not meet their targets by this date risk formal enforcement action and penalties. Ofgem will take into account additional energy saving measures delivered after 31st December as mitigation action against future enforcement action so companies are incentivised to continue to deliver energy savings. [Link](#)

## RIIO-ED1 Strategy Consultation

In September we published our consultation on the price control designed to encourage electricity distribution companies to deliver safe, reliable and sustainable services at value for money to consumers. Proposals for outputs include the connection of new low carbon technologies such as heat pumps, and a losses mechanism which includes a duty on companies to tackle losses, together with a discretionary reward for exceptional action. There are also proposals for the companies to help deliver solutions for vulnerable and fuel poor customers. [Link](#)