

## Smarter Markets Coordination Group (SMCG) – Meeting 1

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Minutes of the inaugural meeting of the Smarter Markets Coordination Group.

From:  
Date of meeting:  
Location:

Ofgem  
22 January 2013  
Ofgem, 9 Millbank

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### 1. Present

1.1. The full list of those who attended is given in Appendix 1.

### 2. Welcome

2.1. The Chair, Colin Sausman (CS) (Ofgem), thanked everyone for their attendance and introduced the agenda for the meeting.

### 3. Introduction to the Programme and terms of reference

3.1. Steve Ragg (SR) (Ofgem), the interim Programme Director, gave an overview of the Smarter Markets Programme and its context. He explained that smart metering has the potential to deliver substantial benefits beyond those identified in the government's impact assessments for the roll-out. However, he emphasised that these potential benefits will only be realised if complementary changes are made to current market arrangements. The Programme aims to drive these changes, to help the development of 'smarter markets' that are more efficient, dynamic and competitive, delivering better outcomes for consumers. SR also emphasised that it will be vital for the Programme to work collaboratively with others to drive the transition to smarter markets: Ofgem, government and industry will all have key roles to play.

3.2. SR explained that the purpose of the SMCG is to provide strategic advice to the Programme on risks and issues, dependencies with other initiatives and the scope of work. He also emphasised that the group can help Ofgem to harness the knowledge and experience required from across industry to support the Programme.

3.3. SR also explained how the Group will operate, highlighting Ofgem's intention to convene the SMCG around three times a year. SR invited comments on the SMCG's terms of reference and ways of working.

3.4. Some members suggested further areas of reform which could fall under the Programme's scope, including network charging and gas settlement. It was also suggested that the Programme could draw on the findings of the Low Carbon Networks Fund. CS suggested that there was a danger that the Programme's scope could become unmanageable, but agreed the importance of mapping out these points of intersection across the regulatory landscape.

3.5. One member highlighted that the group had little representation from energy service providers. CS agreed that Ofgem will consider how to strengthen representation in this area.

### 4. Roundtable: Why is it important to promote the development of smarter markets?

4.1. CS invited members of the Group to outline why they are interested in our work to promote smarter markets and what they see as the main challenges and opportunities.

4.2. Richard Leyland, Head of Smart Meters Policy at the Department of Energy and Climate Change (DECC), strongly welcomed the establishment of the group. Along with the other members of the group he also endorsed the importance of the Programme's work in helping to enable market development from the platform of smart metering.

4.3. The group agreed that a key challenge for the Programme will be identifying and managing the significant links with a large number of related regulatory changes taking place. The coordination role of the group was welcomed in that respect. For example, it was noted that a number of different initiatives are investigating the future of demand-side response (DSR). Understanding the scope of each of these initiatives and coordinating them effectively will be necessary to ensure that market reforms are consistent, and to ensure that no issues are overlooked.

4.4. Some of the group expressed concern over the size of the regulatory burden, particularly in terms of its impact upon smaller players and new entrants. They highlighted the risk that new regulatory requirements could increase this burden or stifle innovation.

4.5. Some members emphasised the need to help consumers realise the benefits of smart metering. One member stressed the importance of identifying the opportunities and risks that smart metering presents, with a view to ensuring appropriate protections are in place. Another argued that many consumers are not aware of the roll-out and are not ready to engage with smart metering. One member of the group also cautioned that innovation can create risks to consumer engagement, especially where it increases complexity.

4.6. Several members emphasised the importance of reforming gas settlement arrangements. They suggested that the Programme should monitor the work that is being progressed to reform these arrangements. One member also emphasised that there are fundamental differences between the gas and electricity markets, such that they should not always be treated in the same way.

4.7. Also discussed was the importance of driving improvements in data quality (for example, the accuracy of customer data transferred on change of supplier).

4.8. One member advised that the Programme should maintain a close link with the evolution of the Data and Communications Company (DCC). In particular, he emphasised the link between the change of supplier project and the potential migration of registration services to DCC.

4.9. One member suggested the Programme could learn lessons from the implementation of the Green Deal, which has created a new environment with new companies operating in new markets. The member advised the Programme not to underestimate the level of interest in new markets and the level of support these entrants will require.

4.10. A number of members of the group also stressed the potential benefits smart metering can bring to networks. This includes improved network visibility and better understanding of network loading (allowing for more targeted reinforcement interventions). Customer benefits were also mentioned, such as better management of power outages, an improved connection process and lower connection costs for microgeneration. Members of the group emphasised the Programme should not lose sight of these potential benefits.

## **5. Update on projects**

5.1. Four projects are being progressed through the Smarter Markets Programme. The four project managers introduced each of these projects and updated the group on progress.

5.2. Andrew Wallace (Ofgem) gave an overview of the change of supplier project. He informed the group that the scope had been expanded, in agreement with DECC, to include consideration of how and when DCC could take on specific aspects in relation to registration services. He also introduced the project's approach for developing options over the coming months through a series of workshops with industry representatives.

5.3. Jonathan Amos (JA) (Ofgem) introduced the electricity settlement project. He set out Ofgem's intention to publish an open letter at the end of March setting out how to progress reform of settlement arrangements. He also highlighted the work that the Balancing and Settlement Code Panel has undertaken at Ofgem's request to develop a report detailing how it would take forward reform.

5.4. Ben Smithers (Ofgem) introduced the DSR project and explained how it fits with other ongoing work on the subject. He explained that the project's upcoming consultation document in March will seek views on how existing market arrangements might hinder the development of a market that delivers efficient use of DSR.

5.5. Anthony White (Ofgem) gave an overview of the consumer empowerment and protection project. He informed the group that Ofgem plans to publish a consultation on how the current regulatory framework may need to adapt to accommodate the risks and opportunities that smart metering may present for consumers. This will inform the development of a future programme of work.

5.6. The members were invited to ask the project leads questions. One member commented that innovative products or services introduced by suppliers may sometimes have unintended consequences. However, he asserted that this risk should not lead to the introduction of pre-emptive consumer protections. Instead he argued that suppliers should be given scope to experiment with new products and rectify any problems themselves. Another member agreed with this approach, but on the understanding that Ofgem and/or DECC will intervene if required.

5.7. A member informed the group that his organisation has been looking into the appetite of large (non-domestic) customers to offer DSR. He offered to share this research with the DSR project team.

5.8. One member requested information as early as possible on the Programme's expected resource requirements from industry.

## **6. Links and dependencies**

6.1. JA introduced the draft map of regulatory change. This shows public milestones of major reforms that are relevant to the work of the Programme because they will impact on the development of retail energy markets over the next decade. JA emphasised that successful management of links to other regulatory change will be key to the Programme's success in both the short and long term.

6.2. JA asked the group to consider whether the map is a useful tool and to suggest any refinements or additions that could help its development.

6.3. Several members proposed additions to the map, including:

- DECC's Electricity Demand Reduction project, which is of relevance to the DSR project because it is exploring whether there are sufficient support and incentives available to encourage households and businesses to use energy more efficiently
- A 'smart grids' swimlane that would include not only the current electricity distribution price control review (RIIO-ED1) but also the work of the Smart Grids Forum

- Key milestones relating to the reform of European data protection rules
- Relevant network codes that are being developed at European level, such as the Network Code on Demand Connection
- The Low Carbon Networks Fund, which seeks to encourage distribution companies to trial innovative solutions to the challenges they face in the transition to a low-carbon economy
- BIS' midata programme, which seeks to give consumers more control and access to information that companies hold about them
- Smart Energy Code, which will be a new industry code that provides arrangements for the introduction and ongoing operation of smart metering.

6.4. One member suggested that the next stage of the map's development would be to show the interdependencies between each of the strands, so we can accelerate or delay key decisions to improve overall coordination.

6.5. This prompted some discussion over Ofgem's ability to influence the timing of changes displayed on the map. In some cases, Ofgem is responsible for decisions, but in others can only seek to influence. Understanding the dependencies and threats will help to focus Ofgem's engagements.

6.6. The group agreed that the map is useful and worth investing time to develop further.

### **Actions**

Circulate map of regulatory change by email.	Ofgem
Ofgem would welcome any further comments on the map by return.	All SMCG

## **7. Wrap up and date of next meeting**

7.1. CS thanked all the attendees for coming and for their contributions. The next meeting of the SMCG will be towards the end of May 2013.

## **First Meeting of the Smarter Markets Coordination Group**

**22<sup>nd</sup> January 2013**

### **Members of the SMCG**

Colin Sausman (Chair)	Ofgem
Ashleye Gunn	Which?
Audrey Gallacher	Consumer Focus
Chris Harris	Npower
Chris Welby	Good Energy
David Jones	Elexon
Gareth Evans	ICoSS
Katherine Marshall	SSE
Martin Baker	Xoserve
Nigel Cornwall (via telephone)	Energy Suppliers Forum
Paul Bircham	Energy Networks Association
Peter Olsen	Corona Energy
Ramsay Dunning	Co-operative Energy
Richard Leyland	DECC
Richard Sweet	Scottish Power
Steve James	
- attending on behalf of Alex Travell	E.ON
Tabish Khan	
- attending on behalf of Sharon Johnson	British Gas
Tony Thornton	MRASCo

### **Ofgem:**

Kersti Berge, Philip Cullum, Steve Ragg, Jonathan Amos, Ben Smithers, Anthony White,  
Andrew Wallace