

## Map of regulatory change: explanation of changes and milestones

This document is designed to inform the map of regulatory change, which shows public milestones of major reforms that are relevant to the work of the Smarter Markets Programme. The table below provides an overview of each of these reforms, explains their interaction with the Programme and details each of the key milestones shown on the map.

Project	Summary	Link to Smarter Markets Programme	Date	Milestone	Source
<i>Abbreviations: CEP = Consumer Empowerment &amp; Protection; COS = Change of supplier; DSR = Demand-side response; ES = Electricity settlement</i>					
<b>Ofgem projects</b>					
Retail Market Review (RMR)	The aim of the RMR is to make it easier for domestic and non-domestic consumers to make better choices over their gas and electricity supply.	<p><b>CEP</b> – The RMR proposals will help to lay the foundation for smarter markets by building consumer trust and engagement. Over time, arrangements designed to help consumers engage in today’s market may need to adapt to the opportunities and risks that the roll-out presents. The CEP project aims to put in place regulatory arrangements that empower and protect consumers to participate effectively in smarter retail energy markets.</p> <p><b>DSR</b> – Ofgem’s Retail Market Review is implementing a range of policies seeking to make the retail market simpler, fairer and clearer. In doing so, these policies aim to help customers to better engage with the energy market as a whole. Better engagement with the energy market will increase customers’ awareness of and ability to access DSR opportunities – a key precondition for the efficient system-wide use of DSR.</p>	Spring 2013	Final statutory consultation on all the proposed RMR measures.	<a href="#">RMR – Final Proposals March: 2013</a>
			Summer 2013	The measures come into legal effect (subject to responses to the consultation).	
			End of 2013	Key rules that address the number and complexity of tariffs will be in place	
			End of March 2014	All measures should be in place.	
Smart Grids	<p>RIIO ED1 is the first electricity distribution price control to reflect the new RIIO (Revenue = Incentives + Innovation + Outputs) principles. 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. One of the key issues for RIIO-ED1 is the network challenges presented by the transition to a low-carbon future. DNOs will need to be able to accommodate potentially significant volumes of local generation and low-carbon demand in a timely and efficient manner.</p> <p>The Smart Grid Forum is a joint forum with DECC to identify future challenges for electricity networks and system balancing, including current and potential barriers to efficient deployment of smart grids.</p>	<p><b>COS</b> - The costs of providing registration services to support the competitive market are covered by price controls. Should this responsibility be removed from network operators and gas transporters, there may be impacts on allowed revenues.</p> <p><b>DSR</b> - RIIO ED1 will determine how DNOs will be able to use DSR during the RIIO ED1 price control period (eg participation in demand-side response as an alternative to investment in new capacity). Meanwhile, Workstream 6 of the Smart Grid Forum is, amongst other things, examining roles and commercial arrangements around delivering smart grids solutions on distribution networks. Therefore, there are some links with issues being considered in the demand-side response consultation document.</p> <p><b>ES</b> – As part of a project to examine the role of DNOs in the future, Ofgem, through the Smart Grid Forum, plans to examine how DNOs can engage with consumers and encourage them to manage their consumption to reduce the need for network reinforcement. This may be an important input to settlement reform as it could inform the data that might be required from settlement for charging purposes.</p>	March 2013	Decision paper on price control strategy	<a href="#">RIIO-ED1 Strategy Decision: March 2013</a>
			July 2013	All 14 DNOs must submit Business Plans for Ofgem to assess.	
			Feb 2014	If Business Plans meet agreed criteria, some DNOs will be ‘fast tracked’. This milestone is the decision on the price control package for the <b>fast tracked</b> DNOs.	
			July 2014	Decision on the price control package for the <b>non fast tracked</b> DNOs.	
			Dec 2014	Consultation on the licence conditions implementing the price control package.	
			1 April 2015	New price control period starts.	
Low Carbon Network (LCN) Fund	<p>Ofgem established the £500 million LCN Fund to encourage DNOs to trial innovative solutions that will help them meet the changing requirements of generators and consumers at value for money as we move to a low-carbon economy. This includes investigating the opportunities that the roll-out of smart metering provides to network companies.</p> <p>There are two tiers of funding which are available under the LCN Fund. The First Tier is designed to enable DNOs to recover a proportion of expenditure incurred on small scale projects. Under the Second Tier of the LCN Fund, Ofgem facilitates an annual competition for an allocation of up to £64million to help fund a small number of flagship projects.</p>	<p><b>DSR</b> - Some of the LCN Fund projects are exploring the role that DSR could play in network operation.</p>	19 April 2013	Deadline for 2 <sup>nd</sup> Tier initial screening submissions	<a href="#">Ofgem’s LCNF site</a>
			August 2013	Deadline for 2 <sup>nd</sup> Tier full submissions	
			Nov/Dec 2013	2 <sup>nd</sup> Tier winners announced	

Vulnerability strategy	It is Ofgem's duty to have regard for the interests of consumers in vulnerable positions. The Consumer Vulnerability Strategy advances Ofgem's 2005 Social Action Strategy by taking a fresh perspective on vulnerability.	<b>CEP</b> –Ofgem's approach to protecting consumers in vulnerable positions will inform the CEP project, to help ensure that all consumers are able to realise the benefits of smart metering.	June 2013	Publication of the final strategy, including a workplan that sets out the programme of work for the next year (the strategy covers a five year period). The strategy covers all of Ofgem's work on vulnerability.	<a href="#">Ofgem Consultation: Sept 2012</a>
Electricity Balancing Significant Code Review (EBSCR)	<p>The scope of the EBSCR prioritises changes addressing long-standing concerns with existing balancing arrangements. In particular the EBSCR will focus on cash-out price formation and the need to improve cost reflectivity and incentives to provide flexibility and security of supply.</p> <p>Ofgem also proposes to launch a new process to create and build consensus on GB's future electricity trading arrangements. The purpose of this process would be to ensure that, in the face of the key changes in the industry, the trading arrangements deliver: efficient operation of existing assets; appropriate incentives to maintain existing assets and invest in new capability; and effective and efficient integration with wider European markets to the benefit of GB consumers.</p>	<p><b>ES</b> - Settlement reform will complement this SCR, because both can help to strengthen the incentives on suppliers to contract sufficiently with generators to cover the volume of electricity that their customers consume. However, the two projects are at very different stages of the policy process such that neither has a direct impact on the work of the other.</p> <p>In addition, should Ofgem proceed with a project on the future trading arrangements, it will be essential that settlement reform is consistent with this work as settlement is one aspect of the trading arrangements.</p> <p><b>DSR</b> – The future electricity trading arrangements process proposes to consider the role of DSR and the broader commercial arrangements for supporting the commercialisation of DSR services.</p>	Spring 2013	Draft policy decision on EBSCR	<a href="#">Open letter: Feb 2013</a>
			Early 2014	Final policy decision on EBSCR. Following this decision, code changes (and potentially licence changes) need to be agreed through the normal BSC modification process.	
Energy Companies Obligation (ECO)	The ECO works alongside the Green Deal to support roll-out of energy efficiency measures, including insulation and heating packages to vulnerable consumers. It creates a legal obligation on energy suppliers to improve energy efficiency. An overall efficiency target has been set for 1 April 2015. The ECO administrator (Ofgem) has broken this target down into 3 phases (ending March 2013, 2014 and 2015), and then divides the task of achieving these targets up between suppliers, based upon their market share.	Similar to the roll-out of smart metering, ECO can help consumers use energy more efficiently.	March 2013	Phase 2 Obligation Setting – when the obligations for Phase 2 (2013-14) are allocated to suppliers.	<a href="#">Ofgem's ECO site</a>
			March 2013	Final Guidance for suppliers is published	
			1 May 2013	Final Guidance for suppliers comes into effect	
			March 2014	Phase 3 Obligation setting (as for phase 2 above)	
			1 Apr 2015	Deadline for achievement of obligations.	

HM Government projects					
Smart Metering Implementation Programme (SMIP)	<p>It is government policy that gas and electricity smart meters will be rolled out to domestic and smaller non domestic consumers by the end of 2020. The Department of Energy and Climate Change (DECC) is responsible for establishing the regulatory and commercial framework to underpin the roll-out through the SMIP. Current activities include:</p> <ul style="list-style-type: none"> <li>- running the competition to appoint the Data &amp; Communications Company (DCC) – a new licence holder responsible for managing all the messages and data transferred between smart meters and suppliers/authorised parties.</li> <li>- introducing the Smart Energy Code (SEC) – a new industry code defining the rights and responsibilities of the DCC. The SEC will be implemented in three stages. Stage 1 contains key provisions required for the operation of the DCC. Stages 2 and Stage 3 cover additional operational provisions (eg security requirements).</li> <li>- defining the smart metering equipment technical specifications (SMETS).</li> </ul>	<p>The success of the Smarter Markets Programme will depend on the timely and successful implementation of the rollout.</p> <p><b>CEP</b> – Smart metering can transform retail markets to the benefit of consumers through easy access to consumption data, innovative products and better customer service. But it can also present new challenges. The CEP project seeks to ensure that regulation enables consumers to engage effectively in smarter markets.</p> <p><b>CEP</b> – DECC's consumer engagement strategy will help to ensure consumers are effectively engaged with the roll-out. Consumer engagement is key to ensuring that consumers use smart meters to better manage their energy consumption in smarter markets.</p> <p><b>DSR</b> – DCC will provide one way to send the signals necessary for dynamic pricing. The scope for offering dynamic products using the DCC will depend on the frequency with which messages can be sent to the meter and the latency of response.</p> <p><b>COS</b> – As part of the COS project, Ofgem will set out policy options for the DCC's role in registration.</p>	Q2 2013	Notification of SMETS 2 (and relevant licence conditions) to the European Commission.	<a href="#">Smart Meters Programme Plan: December 2012</a>  <a href="#">Archived SMIP web page</a>
			Q3 2013	Award of the DCC licence. Contracts for provision of data and communications providers to the DCC to be awarded in parallel.	
			Q3 2013	SEC Stage 1 to be designated. Stages 2 & 3 will be brought in some time before DCC Go-live.	
			Q4 2013	A further notification with regard to SMETS will include the Companion Specification and the equipment and security assurance and certification provisions.	
			Autumn 2015	Start of mass roll-out of smart meters (by suppliers).	
			End of 2014	Go-live date of the DCC.	
			End of 2020	Deadline for completion of smart meter roll-out.	

Advanced Meter Roll-out	For larger non-domestic consumers, government has introduced an obligation for the installation of advanced meters by 6 April 2014. These meters will be capable of recording detailed information on consumption, every half hour in electricity and every hour in gas. Advanced meters must be capable of being read remotely by suppliers.	As with the roll-out of smart meters, the success of the Smarter Markets Programme will depend on the timely and successful implementation of the roll-out. It provides a platform for creating smarter markets, benefiting consumers through innovative products, better service, lower costs and more effective competition.	Q2 2014	Deadline for installation of advanced meters for larger non-domestic consumers	
Electricity Market Reform (EMR)	<p>The objectives of the EMR are to ensure a secure electricity supply; ensure sufficient investment in sustainable low-carbon technologies; and maintain affordable electricity bills while delivering the investment needed. The key elements of the reform are:</p> <ul style="list-style-type: none"> <li>- Capacity Market – setting up a mechanism for the procurement of capacity. The proposal is for an auction process run by a central body, the System Operator (National Grid).</li> <li>- Contracts for Difference (CfD) – contracts to defend investors in low-carbon capital projects (eg nuclear plants, carbon capture and storage) against future fluctuations in wholesale market prices (by setting fixed ‘strike prices’) – to give them confidence to invest.</li> <li>- The institutional arrangements to support these reforms.</li> </ul>	<p><b>DSR</b> - DECC is clear that the demand side should be able bid into the Capacity Market. The design of this mechanism will affect how DSR can, in practice, participate.</p> <p><b>ES</b> - Work to reform the electricity wholesale market could have implications for settlement reform, given that DECC has proposed that the costs of two interventions (the Capacity Market and contracts for difference) will be allocated to suppliers according to their settled volumes.</p>	Q2 2013	Final detailed proposals for the design of the Capacity Market (to feed into secondary legislation)	<a href="#">EMR Policy Overview: November 2012</a> , including indicative roadmap
			Q3 2013	Draft delivery plan for how DECC will deliver both CfD and Capacity Market.	
			End of 2013	Estimated date when Parliament will pass the Energy Bill.	
			End of 2013	Finalised delivery plan following passing of the Bill.	
			End of Q2 2014	Estimated date when the secondary legislation comes into force. This will cover the roles and responsibilities of the government, the System Operator and Ofgem with regard to Capacity Market and CfD.	
			Q3 2014	Capacity Market changes come into force (following secondary legislation) and the exact capacity to be contracted in 2014 is announced.	
			Q3 2014	CfD contracts available for investors.	
Electricity Demand Reduction (EDR)	DECC went out to consultation in Nov 2012 to seek views on how to further incentivise/ support/ encourage efficient electricity use, looking at opportunities for improvement, barriers, and potential incentive mechanisms (eg premium payments, a capacity market, supplier obligations).	EDR has links with the Smarter Markets Programme. EDR is examining how to encourage more efficient use of energy. This is complementary to our ambition for smarter markets.		No milestones currently available. DECC is analysing consultation responses.	<a href="#">EDR web page</a> <a href="#">EDR Consultation Document</a>
BIS midata	The BIS midata project supports giving consumers access to data about their transactions/consumption in a useable electronic format. Following consultation in 2012, BIS is currently encouraging businesses to do this on a voluntary basis. However, this will be reviewed in Summer 2013 (see milestone).	<b>CEP</b> - Access to data can help consumers understand their energy consumption, make more informed choices about products and services, and use energy more efficiently.	Summer 2013	BIS will review whether companies are (voluntarily) providing consumers with their consumption/transaction data in an appropriately useable electronic format.	<a href="#">Midata: 2012 review and consultation</a>

Industry-led projects					
Modification P272	Balancing and Settlement Code (BSC) Modification P272 proposes to make half-hourly settlement mandatory for Profile Classes 5-8. The BSC Panel recommended in Dec 2012 that the modification should be rejected. P272 is currently with Ofgem for decision.	<p><b>ES</b> – P272 could bring forward some of the benefits of using more granular data in settlement and hence impact on the scope of our work.</p> <p><b>DSR</b> - if implemented, modification P272 could make it easier for suppliers to use DSR in Profile Classes 5-8 to manage and balance their energy portfolio.</p>	Summer 2013	Impact assessment consultation	<a href="#">Elxon’s page on P272</a>
			Autumn 2013	Ofgem decision letter on whether to accept or reject the modification.	
			2015	Date of implementation (if accepted)	
Project Nexus	<p>Xoserve’s systems have remained largely unchanged since market opening and will require significant investment over the coming years. To inform this work, Project Nexus was set up by Xoserve to seek industry’s views on the nature and scope of services that it should provide.</p> <p>Xoserve are currently developing the modifications, along with the legal texts and impact assessments that will accompany them.</p>	<p>Project Nexus proposes to make current systems “smart ready”, for example, by having systems in place that allow suppliers to use the data available from smart metering and for this to be reflected in their settlement charges.</p> <p><b>COS</b> – Improvements in the interface between IGT registration systems and shippers should assist harmonisation of the change of supplier process across all gas networks. The CEP project should help to define how these change of supplier processes work in practice and whether the structure of the registration arrangements should be further amended through centralisation of the gas and electricity arrangements under the SEC.</p>	Q2 2013	Decision on modifications (subject to when modifications are received by Ofgem)	<a href="#">Xoserve’s page on Project Nexus</a>
			Late 2015	Changes come into effect (if accepted)	

Europe					
Demand Connection Code	The Demand Connection Code is a European Network Code being developed by ENTSO-E (European Network of Transmission System Operators for electricity) to cope with a range of challenges concerning cross-border networks and market integration – eg increased use of renewable energy and implementation of smart grids. The Code will define common functional requirements, focussing mainly upon the connection of industrial loads and distribution networks.	<b>DSR</b> - The Demand connection code could mandate some (limited) forms of demand-side response.	Apr 2013	The Agency for the Cooperation of Energy Regulators will decide whether the proposed code is in line with the framework guidelines on electricity grid connections. If they give a positive recommendation then this will initiate the process to adopt the Demand Connection Code as binding.	<a href="#">ENTSO-E page on the Demand Connection Code</a>  <a href="#">Background to the DCC</a>
Energy Efficiency Directive (EED)	The EED came into force in December 2012. Key measures include: all Member States to set indicative energy efficiency targets for 2020; energy suppliers are obliged to reduce energy sales by 1.5% every year through implementation of energy efficiency measures; large companies are required to have energy audits and energy efficiency action plans; public sectors must renovate 3 per cent of their buildings per year.	The EED has measures that will interact with the Smarter Markets Programme including improvements to metering and billing information, and a requirement to promote the energy services market.  <b>DSR</b> – Article 15 includes some requirements for Member States to encourage network companies to consider DSR as a way of operating their networks.	1 Jan 2014	From this date, energy suppliers are obliged to reduce energy sales by 1.5% per year through implementation of energy efficiency measures.	<a href="#">EC's page on the EED</a>  <a href="#">(Useful summary of key measures)</a>
			1 Jan 2014	From this date, Member State governments are obliged to renovate 3 per cent of publically-owned or occupied buildings per year to improve energy efficiency.	
			5 June 2014	All EU member states must implement (most of) the provisions of the Energy Efficiency Directive into national law by this date.	
Data Privacy Regulations	In January 2012 the new General Data Protection Regulation was proposed by the European Commission. This includes a wide range of reforms to strengthen online privacy rights (moving from 'privacy by design' to 'privacy by default'). These reforms are currently being debated in European Parliament.	<b>DSR</b> - Suppliers and distribution companies may need access to detailed consumption data for demand response purposes.  <b>COS</b> - Potential privacy concerns if DCC takes on data processing and aggregation, because this requires storage of data.  <b>CEP</b> - Suppliers want access to data to design and market energy services products	Apr-May 2013	Expected date for plenary vote in European Parliament – resulting in Parliament First Reading report on the reform.	<a href="#">European Commission Proposals</a>
			June 2013	Anticipated date of agreement	
			End of 2013	Conciliation Committee (if Council of the EU and European Parliament do not reach agreement)	