

Sustainable Development News

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MAY 2013

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Key Developments:

There have been important developments on key Ofgem projects recently. We have published final proposals for our Retail Market Review (RMR), which aims to make the energy sector simpler, clearer and fairer for consumers. We have also published the new framework for the electricity distribution price control (RIIO-ED1). RIIO-ED1 will provide distribution companies with strong incentives to meet the challenges of delivering a low carbon, sustainable energy sector at better value for money for consumers.

We are consulting on whether further changes are needed across the industry to support efficient system-wide use of demand-side response. We are also consulting on changes to our Impact Assessment guidelines, which have been amended to reflect developments in our approach to strategic and sustainability issues and the causes and impacts of consumer vulnerability.

Ofgem requires the six largest energy suppliers to publish annual financial statements showing the profits of the generation and supply parts of their businesses. For the first time we have published a factsheet, based on our review of the latest (2011) set of statements, to aid consumers in understanding these profits. For more information, please see our factsheet. [\[Link\]](#)

These developments come alongside our decision to propose a fine for SSE of £10.5 million for serious misselling activities. This is the largest fine to date imposed on an energy supplier, and reinforces our commitment to use our powers against companies which fail consumers. For more information, please see our press release. [\[Link\]](#)



Sarah Harrison
Senior Partner,
Sustainable Development

Ofgem publishes RIIO-ED1 framework

We have published our strategy decision for the price controls for electricity distribution networks, which will run from 2015-2023. The control, known as RIIO-ED1, is designed to encourage companies to deliver improvements in customer satisfaction, reliability, stakeholder engagement and sustainable services at value for money to consumers. [\[Link\]](#)

RIIO-ED1 covers an exciting period during which Distribution Network Operators have the opportunity to use data from smart meters to manage their networks in innovative ways. They must also manage the connection of uncertain volumes of low carbon technologies, such as electric vehicles and distribution connected generation, using smart approaches that provide better value

for money. We have published a factsheet that describes the key aspects of RIIO-ED1. [\[Link\]](#)

Smart Metering Installation Code of Practice

In April 2013, we published an open letter designating the Smart Metering Installation Code of Practice for use by all domestic and micro-business suppliers installing compliant smart metering systems. The code sets out rules and standards of conduct that suppliers must follow before, during and after the installation process, and will take effect on 1 June 2013. We have worked closely with consumer groups, suppliers and other industry participants to help shape the code and will be responsible for enforcing supplier compliance with it. [\[Link\]](#)

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Retail Market Review - Simpler, Clearer, Fairer

At the end of March we published a consultation on final proposals for changes to energy retail markets that will make it radically easier for consumers to make better choices over their electricity and gas supply. These will reduce complexity in the retail market, give consumers clearer information and provide greater reassurance to consumers that they will be treated fairly in their dealings with their energy supplier.

We are also looking at ways to provide greater support for the stickiest and most vulnerable consumers beyond the measures we have proposed to make the market simpler, clearer and fairer. A working group with suppliers will be set up to explore a range of possible solutions, including our "Market Cheapest Deal" proposal. [\[Link\]](#)

Environmental Discretionary Reward

In February 2013 we finalised the Environmental Discretionary Reward (EDR) Scheme, a new financial incentive for electricity transmission companies to take a strategic approach to the low carbon transition. The EDR Scheme will have funding of up to £4m each year between 2013 and 2021. We are also encouraging companies to submit applications covering 2012 – 2013. Though there will be no financial reward this year, it will give companies an opportunity to develop the systems and processes that the EDR Scheme seeks to promote, and to receive feedback on their submissions from Ofgem and a panel of experts. [\[Link\]](#)

Supplier Complaints Data

Ofgem sets complaints handling standards for suppliers and network companies, in relation to both domestic consumers and micro-businesses. After much encouragement, large suppliers have published data on the domestic complaints they receive and how quickly they're closed, presented in a common format. We've asked suppliers to tell customers what the complaints are about and what they're doing about them so most suppliers now also publish a 'top 5' of reasons for complaints. We've told suppliers how prominent complaints information should be too. The first set of data was published on 31 January, and we should see further data every quarter. [\[Link\]](#)

Ofgem's Impact Assessment guidelines

We have a duty to carry out Impact Assessments (IAs) on important policy proposals. We last updated our IA guidance in 2009. Since 2009, the Third Package and Equality Act have been introduced, and we have consulted on our approach to strategic and sustainability issues, and the causes and impacts of consumer vulnerability. We are now proposing revisions to our guidance to incorporate these developments and wider best practice. We welcome views on the proposed guidance by 10 June 2013. [\[Link\]](#)

Creating the right environment for demand-side response: Are further changes needed?

This work seeks to establish whether developments across the industry are sufficient to meet our longer-term objective: to create a market environment that supports efficient system-wide use of demand-side response. This consultation seeks stakeholder views on the main challenges facing consumers, Ofgem and the industry in meeting this longer-term objective. We will use responses to inform our view on how Ofgem, industry parties and others can contribute to this objective. [\[Link\]](#)

We have published a factsheet which explains how consumers could help to save money across the electricity system by being more flexible in how and when they consume electricity. It also explains some of the challenges associated with making the most of this flexibility. [\[Link\]](#)
