

Smarter Markets Coordination Group – Meeting 2

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

From: Ofgem
Date of meeting: 16 May 2013
Location: Ofgem, 9 Millbank

1. Present

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

2. Welcome

2.1. The Chair, Maxine Frerk (MF) (Ofgem), introduced herself to the group and welcomed Michela Beltracchi and Lawrence Slade as two new members of the Smarter Markets Coordination Group (SMCG). MF explained that Ofgem has also asked two non-domestic consumer organisations to join the group to ensure the interests of business consumers are represented.

2.2. To position the agenda, MF explained that the last meeting introduced the Smarter Markets Programme and its four constituent projects. These four projects are now entering a more intensive period of stakeholder engagement. Therefore, MF explained that a key objective for the meeting was to discuss how best to seek input from stakeholders across the four projects.

3. Update on the Smarter Markets Programme

3.1. Grant McEachran (GM) gave an overview of progress across the Programme. Since the last SMCG meeting, Ofgem has been exploring a vision for what 'smarter markets' may look like, thereby developing our thinking on what the Programme is aiming to deliver.

3.2. Paul Bircham (PB) asked if we are seeking to align our thinking on what 'smarter markets' may look like with the work to develop a vision for smart grids through the Smart Grid Forum. GM agreed that we will be engaging with stakeholders in developing our thinking which included Smart Grids and also included any relevant European work. Paul Delamare (PD) suggested it would be useful to think about how to articulate this thinking and whether it would be beneficial to keep it under review over time. GM noted that it was the intention to discuss this at a future meeting.

3.3. GM then gave an overview on the status of the four projects. On electricity settlement, he explained that we published an open letter on the way forward on longer-term reform in March, building on the work of the Balancing and Settlement Code Panel last year.

3.4. With regard to the demand-side response (DSR) project, GM set out that Ofgem has published a consultation document on the main challenges for delivering the right environment for DSR. He highlighted that we are looking for responses from stakeholders by 28 June 2013. On the change of supplier project, GM explained that we have commissioned consumer research to test what is important to consumers from a switching process. GM stated that the first Change of Supplier Expert Group (COSEG) meeting will be held on 20 May 2013, which will provide an opportunity to look more in detail at options. On the consumer empowerment and protection project, GM explained that the deployment of smart meters can create both opportunities and risks for consumers. Through this project we are looking to consult at the end of this year on whether the existing regulatory framework will be fit-for-purpose in a market with widespread deployment of smart meters.

4. Change of Supplier reform

- 4.1. Andrew Wallace (AW) gave an update on the change of supplier project. AW first introduced and requested views on the core features and requirements of a future change of supplier process.
- 4.2. Gillian Cooper (GC) queried the assumption in Core Feature 4 that transfer blocking needs to occur before the switch takes place, given that in the vast majority of cases there are no problems or legitimate reasons to block the transfer.
- 4.3. Chris Welby (CW) explained that there could potentially be multiple suppliers per meter (including export), such that the project should not only focus on the import process. This would mean customers could still face a poor process for changing their export supplier.
- 4.4. Chris Harris (CH) commented that new business models may appear by the end of the decade, and that the project should not be constrained by current business models. MF suggested that the project should seek to accommodate future developments in the market as much as possible.
- 4.5. Alex Travell (AT) explained that he would like to see more focus on what the consumer wants from a switching process. This was seconded and welcomed by Ashleye Gunn (AG), who also suggested that the robustness of the process was important for consumers. This is because consumers value the certainty of knowing that a transfer will happen on the date indicated.
- 4.6. CW asked whether the project would address the operation of smart prepayment and change of supply. He thought that problems in this area could have a serious impact on consumer confidence and engagement in the market. AW said that the project was aiming to address long-term reform and questioned whether this was an issue for the start of the roll-out, and therefore out of scope.
- 4.7. AG commented that we could look at other sectors that have delivered reforms to the switching process, for example banking.
- 4.8. Sharon Johnson (SJ) described the challenge of creating a new frame of reference for the future, and how it would be useful to understand early on what we could be working with in terms of simplified structures and improved data. David Jones (DJ) commented that the smart meter penetration may not be 100 per cent and asked if the COSEG will be considering options for those without smart meters. AW said that the scope of the project included those with traditional metering.
- 4.9. PD asked if the aim is to standardise across gas and electricity, and AT suggested this should be a core objective given the number of dual fuel customers. AW said that we would look to achieve this where beneficial.
- 4.10. AW returned to the presentation slides and reviewed the areas which Ofgem had identified as being the likely focus of the work of the Change of Supplier Expert Group (COSEG). AW asked the group if focusing on these reform areas would deliver our long-term objective.
- 4.11. Noting Ofgem's longer-term objective for the change of supplier project, Martin Baker (MB) suggested that we need more granular criteria for measuring the success of any reforms. Nigel Cornwall (NC) noted the importance of evidence based decision making and asked whether Ofgem would be incorporating recent information collected by Ofgem and others in its analysis, for example in relation to the objections process. AW explained that Ofgem would be building the case for reform using a number of information sources,

including consumer research. Ofgem would also be asking the COSEG to assist with the initial evaluation of reform options.

4.12. NC also highlighted that gains could also be made irrespective of smart meters and that we should not overlook current problems. Philip Cullum (PC) agreed that there could be quick wins to be had but that this should not draw us away from the bigger picture and more radical reform. AW agreed that Ofgem could set out any quick wins identified in the proposed Q1 2014 consultation and industry would be free to pick these up by raising modifications to industry codes.

4.13. CW suggested that we should also be considering new connections and that this could be discussed at the COSEG. AW expected there to be a discussion on new connections in the context of the debate on centralising registration systems and on data ownership and quality.

4.14. PD proposed a diagnostic of whether smart meters can improve existing data problems. While smart metering would improve data flows it would not necessarily deal with underlying data problems that lead to issues on change of supplier. Building on this point, AG argued that feedback from consumers suggested that they want an accurate process – if the process is not robust, consumers might not engage again. PD agreed explaining that a rapid process should not be achieved at the expense of accuracy, as a rapid but inaccurate process is almost as detrimental as a slow inaccurate process.

4.15. AT asked if this project is predicated on centralising registration services under the DCC. AW explained that the project would examine how best to centralise registration service.

4.16. AW returned to the presentation slides and explained that the role of the COSEG will be to advise Ofgem on reform options and their evaluation for Q1 2014 consultation. AW highlighted the draft attendee list for COSEG and then invited comments from the group.

4.17. AT noted that there were a number of central bodies in the expert group, but not many suppliers and only two consumer groups, which might not be the right balance. This is because the process should be driven by what consumers and suppliers want. Richard Westoby (RW) agreed that supplier representation is necessary and that the invite to the COSEG should be opened up to all suppliers. MF suggested that we take this point away to consider further to ensure all suppliers were brought into the process whether via COSEG or another forum. Gareth Evans (GE) questioned the practicality of adding a further layer, given the number of people in the group. GM emphasised that there should be a wide range of stakeholders involved in terms of managing an effective discussion and therefore that he supported the choice to include the central bodies.

Action

To consider the attendance for COSEG further

Ofgem

5. Way forward on longer-term electricity settlement reform

5.1. Jonathan Amos (JA) gave a presentation on Ofgem's work in relation to the electricity settlement arrangements, following the publication of the open letter on the way forward in March 2013. He explained that Ofgem plans to scope out in more detail the problems that may require reform of existing arrangements and how best to address these problems. He set out how Ofgem plans to engage stakeholders over the coming six months, including our intention to hold two workshops. He also explained that Ofgem is considering publishing a formal consultation in Q4 2013, subject to views received over the Summer.

5.2. CH recognised that electricity is the priority but thought it was essential to consider interactions with the gas sector. AT asked if the SMCG could receive updates on changes to the gas settlement arrangements being progressed through Project Nexus at future meetings. AT suggested that Project Nexus could provide opportunities for lessons learnt for electricity, for example on the modifications process. AT noted he would also like to have an update on modifications at the SMCG. MF agreed we could add this as an agenda item for a future meeting.

5.3. AT asked to be informed of dates for the forthcoming stakeholder workshops as soon as possible.

5.4. NC commented that the projects within the Smarter Markets Programme are at different stages and address different aspects of the market arrangements with different approaches to stakeholder engagement. He noted the need for a strategic vision. GM agreed that this is a challenge but noted that, even with a single vision, it was not necessary for the developmental process of the projects to be the same. NC would like further guidance about timings for the projects, to help him guide smaller suppliers on where they should focus their resources. GM suggested the map of regulatory change could help in this regard and could be expanded if members identified other areas that should be covered.

6. Demand-side response consultation

6.1. Robyn Daniell (RD) gave a presentation on the recent demand-side response consultation. She explained that the consultation is structured around three preconditions for creating the right environment for DSR. She encouraged all SMCG members to respond to the consultation. She also explained that there is work already underway across Ofgem to look into the challenges for DSR and that Smarter Markets sits across all of these work areas.

6.2. CH suggested it would be helpful to have an early feedback from the DSR project in order to inform the key assumptions of the other projects.

6.3. RW challenged the precondition about customer knowledge and asked whether the customer needs to know the details. MF added that from a consumer acceptance perspective we cannot rely on mandatory or wholly automated provision of DSR.

6.4. Michela Beltracchi asked how flexible the framework that is being considered is and whether we are prescribing options. GM commented that we are currently thinking about the starting point of this framework and not thinking about specific proposals or solutions at this stage.

6.5. Gareth Evans (GE) asked why this project was not considering gas. MF explained the potential for gas DSR was less clear and therefore for this project we have chosen to focus on electricity.

7. Smarter Markets Programme dependencies

7.1. JA reminded SMCG members of the purpose of the map of regulatory change and explained that since the previous meeting Ofgem has incorporated comments from the group. He also explained that the accompanying note had been developed to explain how each of the projects listed on the map links back to the Programme. JA asked the group if we have correctly identified interactions; whether the map and accompanying notes are useful; and how we could best use this going forward.

7.2. CW stated that this was a very useful document. PB agreed it is very valuable but emphasised that we should not lose sight of the vision. CH also suggested adding in a further data stream for the National Energy Efficiency Data-Framework (NEED).

Actions

Ofgem would welcome any further comments on the map. All SMCG

To add an entry for NEED. Ofgem

8. Wrap up and date of next meeting

8.1. SJ requested that the papers for each meeting be circulated as early as possible to enable members to discuss these with their relevant experts ahead of any meetings. The group agreed that a week in advance for receiving papers was acceptable.

8.2. MF thanked all the attendees for coming and for their contributions. The next meeting of the SMCG is planned for September 2013.

Appendix 1**Second Meeting of the Smarter Markets Coordination Group****16th May 2013****Members of the SMCG**

Maxine Frerk (Chair)	Ofgem
Alex Travell	E.ON
Ashleye Gunn	Which?
Chris Harris	Npower
Chris Welby	Good Energy
David Jones	Elexon
Gareth Evans	ICoSS
Gillian Cooper	
- attending on behalf of Audrey Gallacher	Consumer Futures
Grant McEachran	Ofgem
Lawrence Slade	Energy UK
Martin Baker	Xoserve
Michela Beltracchi	Opower
Nigel Cornwall	Energy Suppliers Forum
Paul Bircham	Energy Networks Association
Paul Delamare	EDF
Peter Olsen (not attending)	Corona Energy
Philip Cullum	Ofgem
Ramsay Dunning	Co-operative Energy
Richard Sweet	Scottish Power
Richard Westoby	
- attending on behalf of Katherine Marshall	SSE
Sharon Johnson	British Gas
Teresa Camey	
- attending on behalf of Richard Leyland	DECC
Tony Thornton	MRASCo

Presenting:

Jonathan Amos, Robyn Daniell, Andrew Wallace

Observers:

Mark Askew, Laura Nell, Chiara Redaelli, Tim Willott, Rhianne Ogilvie