

# Sustainable Development News-Bitesize

[www.ofgem.gov.uk](http://www.ofgem.gov.uk)

October 2013

## Key Developments

Confidence Code comes to  
Ofgem

Integrated electricity  
transmission

Wholesale power market  
liquidity: final proposals

Ofgem published outlook for  
electricity security of supply

Consumer Vulnerability  
Strategy

Companies submit initial  
proposals for innovation funding

Launch of the Future Trading  
Arrangements Forum

Update on Community Energy

Ofgem's review of Third  
Party Intermediaries in Great  
Britain's retail energy market

Distribution Network  
Operators submit their  
business plans

Factsheet: conserving natural  
beauty

Consultation on changes to  
electricity transmission charges



## Key Developments

We have continued to make strides with several of our longer-term strategic projects, publishing our emerging thinking on our Integrated Transmission Planning and Regulation (ITPR) Project in June. In addition we kicked off our Future Trading Arrangements (FTA) Forum, with the first meeting taking place in July. These projects are reviewing the current arrangements across the electricity networks and wholesale market and seeking to understand how these arrangements will need to develop to meet long term requirements.

In August, we reached an important step on another major undertaking, Project TransmiT, as we set out our minded-to position to approve changes to the methodology for calculating what generators pay to use the electricity transmission network across Great Britain.

We have also delivered several significant publications across other areas of the organisation, including the final proposals for our work to improve wholesale market liquidity, our Consumer Vulnerability Strategy and updating our Electricity Capacity Assessment report.

## Confidence Code comes to Ofgem

In March 2013, we assumed responsibility for the Confidence Code, which is a voluntary Code of Practice for domestic online switching websites. There are currently 11 accredited sites that follow the principles of the Code. The Code insists that its members follow key principles for how they must operate their service. So using a site with the Confidence Code certification mark means that the process of switching energy supplier should be easier, more reliable and reassuring for consumers.

We are now conducting a review of the Confidence Code which aims to: assess the current functioning of the Code following its transfer; align the code with our Retail Market Review package of remedies; explore how to best expand the reach of the Code and increase the accredited member base; and increase consumer awareness of the Code and its benefits. We aim to complete the Confidence Code review in early 2014. [Link](#)

## Integrated electricity transmission

Ofgem's Integrated Transmission Planning and Regulation (ITPR) project is looking at Britain's arrangements for planning and delivering the electricity transmission network. Our focus is on whether the currently separate onshore, offshore and cross-border arrangements can continue to provide the most efficient network in the long term, or whether a more integrated approach is needed. In the years

ahead, there will be significant development of the network to accommodate changes in the way we use energy and to support the integration of new forms and sources of generation. In our 'Emerging Thinking' document in June 2013 we set out options for change that could facilitate greater coordination and efficiency over the long term. [Link](#)

## Wholesale power market liquidity: final proposals

Ofgem is concerned that poor liquidity in the electricity wholesale market is acting as a barrier to competition in the generation and supply market, by preventing firms getting access to the wholesale market products they need to compete effectively. This means that consumers are prevented from fully accessing the benefits of competition in terms of lower on bills, better service and greater choice.

To deal with this problem, in June 2013, we published our final proposals for a 'Secure and Promote' licence condition. Secure and Promote contains rules to ensure that small suppliers can gain access to the wholesale market products they need to compete effectively. It also includes a 'market making' obligation, which requires licensees to post prices

on trading screens for a range of forward wholesale market products. This will provide opportunities to trade for other firms in the market and support the robustness of price information from the market.

We consulted on our proposals in order to ensure we get the detail right. The consultation closed on 9 August. Following this consultation, the Authority will take a decision on whether to introduce the licence condition. If they do decide to proceed, we aim to have the licence condition in place by the end of 2013 and implemented early in 2014. If you would like to discuss our proposals further please contact [gb.markets@ofgem.gov.uk](mailto:gb.markets@ofgem.gov.uk) [Link](#)

## Ofgem published outlook for electricity security of supply

On 27 June we published our second Electricity Capacity Assessment report. Based on advice from National Grid, our assessment suggests that the risks to electricity security of supply over the next six winters have increased since our last report in October 2012. This is due in particular to deterioration in the supply-side outlook. There is also uncertainty over projected reductions in demand. We continue to expect that margins will decrease to potentially historically low levels in the middle of the decade and that the

risk of electricity customer disconnections will appreciably increase, albeit from near-zero levels.

Although it is clear that the risks to security of supply are increasing, it is very difficult to accurately estimate the level of security of supply that will be provided by the market. In particular, this is because of uncertainties regarding the level of demand, commercial decisions about generating plant and interconnector flows. We have undertaken sensitivity analysis to highlight the potential effects of these uncertainties. [Link](#)

---

## Consumer Vulnerability Strategy

In July we published our Consumer Vulnerability Strategy and work programme. The strategy aims to improve the way the energy industry identifies and tackles consumer vulnerability. The strategy recognises that:

- vulnerability can be complex and may arise for many different reasons
- vulnerability is more than a list of personal characteristics, as both personal circumstances and factors in the market can affect consumer vulnerability.

Our work plan sets out how we aim to deliver the strategy and will be reviewed annually. This year's plan includes a review of free services available to consumers via the Priority Service Register (PSR), services such as 'talking bills', priority support in emergencies, and meter moves to ensure they are accessible. This is a priority as research shows that currently fewer than one in ten of all energy customers are able to name at least one PSR service. Our review will look not only at how to increase awareness and take-up, but also at whether the scope of services available needs to be changed. [Link](#)

---

## Companies submit initial proposals for innovation funding

This year Ofgem has introduced the gas and electricity Network Innovation Competitions (NICs) that allows network companies to compete for funding for development and demonstration of new technologies, operating and commercial arrangements. Funding will be provided for the best innovation projects which can help deliver low carbon and environmental benefits for consumers. [Link](#)

The NICs are running alongside the Low Carbon Networks Fund, an existing innovation competition for Distribution Network Operators. In April, Ofgem received 23 initial proposals from gas and electricity transmission and distribution companies, including an Offshore Transmission Owner. More detailed proposals were submitted by the companies in August and Ofgem will make the final decision on funding in late 2013. [Link](#)

---

## Launch of the Future Trading Arrangements Forum

The electricity market is subject to significant transition as a consequence of the renewable energy targets and European reforms to create a single European electricity market. This is in the context of tightening capacity margins over the next decade as ageing plants close. We are committed to ensuring that the electricity market evolves to meet these new challenges and delivers secure, low carbon, and affordable electricity, including through integration with the wider European market. Several streams of work are already underway within Ofgem to address some of these challenges.

Ofgem published an open letter in February 2013 informing stakeholders of our decision to amend the scope of the Electricity Balancing Significant Code Review (EBSCR). The letter asked for industry views on our proposal to start a separate project to draw up a high level design for Future Trading Arrangements (FTA).

In May 2013 we published an open letter to launch the FTA process, which invited applications from industry participants to form a FTA Forum to provide strategic direction on the range and analysis of GB trading arrangements. The Forum will bring together informed and influential industry players to look across trading arrangements issues. Through it we seek to provide a focal point for all matters relating to the electricity trading arrangements; build consensus on the direction of travel for the electricity wholesale market and provide greater certainty for industry stakeholders.

The first Forum was held on 2 July 2013. For more information, please see the minutes and associated documents of the Forum. [Link](#)

---

## Update on Community Energy

We responded to a call for evidence from DECC on community energy, issued on 6 June and due 1 August. The call aims to collate evidence of the potential benefits of community energy, gain an understanding of the barriers to community energy and identify innovative and new approaches. Our response outlines how our principal objective of protecting the interests of present and future energy consumers relates to community energy, and the work we are doing in this area, as well as plans for our continuing engagement with DECC on the subject.

We held a workshop on 4 September which aimed to inform the community energy sector of our role and duties, clarify our related policies and gather feedback from stakeholders on current regulatory issues with community energy. As our first formal engagement on community energy, this workshop represents the first stage in a continuing dialogue with the sector. [Link](#)

---

---

## Ofgem's review of Third Party Intermediaries in Great Britain's retail energy market

The Energy Supply Probe and the Retail Market Review brought into light concerns relating to the activities of Third Party Intermediaries (TPIs) in the Domestic and Non Domestic retail energy markets. With a view to addressing these issues and to explore the appropriate regulatory design for TPIs we published the 'Exploration of issues and options' consultation paper in June 2013. This document sets out trends and issues relating to TPIs in Great Britain's retail energy markets. It also sought views on appropriate regulatory models for TPIs in the Domestic and Non Domestic retail energy market. The consultation closed on 23 August and Ofgem is currently reviewing the responses before considering next steps.

The objective of this programme is to design a long term enduring regulatory framework for TPIs as well as developing short term regulatory measures to address current market issues through specific bespoke projects. Currently the projects under this programme include collective switching, developing a code of practice for TPIs in the Non Domestic retail market, our review of the Confidence Code for domestic switching websites and our community energy project. The TPI programme is being taken forward through joint coordination between our Markets and Sustainable Development divisions. [Link](#)

---

## Distribution Network Operators submit their business plans

The 14 Distribution Network Operators (DNOs) that operate GB electricity distribution networks have submitted their business plans to Ofgem for the next electricity distribution price control (RIIO-ED1). In their business plans the DNOs should demonstrate how they will deliver in the interests of both existing and future consumers and how they will meet the challenges associated with the transition to a low carbon energy sector. The plans should take into account the needs and views of the companies' stakeholders. Ofgem is now assessing the business plans to determine whether any are of sufficient quality to agree their price control early – termed fast-tracking. Ofgem will publish and consult upon its initial assessment of the business plans in November 2013. [Link](#)

---

## Factsheet: conserving natural beauty

Energy networks have a visual affect on the landscape, and in response to stakeholder feedback we have updated our factsheet on conserving natural beauty when constructing electricity networks. It now clarifies the distinctions between approaches to existing and new infrastructure, sets out the high-level roles of each party involved and explains how stakeholders can get involved in the network companies' process. It is available in both [English](#) and [Welsh](#).

---

## Consultation on changes to electricity transmission charges

In August 2013 we set out our minded-to position to approve changes to the methodology for calculating what generators pay to use the electricity transmission network across Great Britain. The proposed changes to the transmission charging regime are aimed at facilitating the timely move to a low carbon energy sector whilst delivering value for money to existing and future consumers.

Transmission charges seek to recover the costs of developing and operating the transmission system from system users (generators and electricity suppliers). Previous work in this area identified defects in the current charging methodology, in light of current and future developments in the GB energy system. This triggered an industry led process to develop several options to resolve these defects.

Our Impact Assessment consultation, which closes on the 26 September 2013, sets out our analysis of these industry options and the rationale behind our preferred option. We propose to implement our final approach in April 2014. [Link](#)

---

## Feedback

Did you find this information helpful? Any views welcome at [sustainable.energy@ofgem.gov.uk](mailto:sustainable.energy@ofgem.gov.uk)

---