

Minutes of Sustainable Development Advisory Group meeting

This is a record of Ofgem's Sustainable Development Advisory Group meeting, held 24 October 2013.	From Date and time of Meeting Location	Matthew Berry 24 October 2013 10.00-12.00 9 Millbank
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1. Present

Chair

David Gray (Gas and Electricity Markets Authority)

SD Advisory Group members

Derek Lickorish (Fuel Poverty Advisory Group)
 Jenny Saunders, (National Energy Action)
 Audrey Gallacher, (Consumer Futures)
 Jeremy Nicholson, (Energy Intensive Users Group)
 Phil Jones, (Northern Powergrid)
 Juliet Davenport, (Good Energy)
 Nick Eyre, (Oxford University)
 Paul Ekins, (UCL Energy Institute)
 Matthew Quinn, (Welsh government)
 Gaynor Hartnell, (Renewable Energy Association)
 David Sigsworth (SEPA)
 Nigel Farren (Energise London) - Observer

Ofgem Staff

Sarah Harrison
 Adam Cooper
 Natasha Smith
 Stew Horne
 Matthew Berry

2. Apologies

David Harker (GEMA)
 Nick Lakin (Kingfisher)
 Tony Grayling (Environment Agency)
 Doug Parr (Greenpeace)
 John Fiennes (DECC)
 Chris Stark (Scottish Government)

3. Review of minutes and update

3.1. The minutes of the previous meeting were approved. It was agreed that details of the timeliness of the discussions with the Crown Estate regarding ITPR issues would be collated and fed back to the group.

3.2. Further to members' request for information on how the Group's input is taken forward, Sarah Harrison made the following points:

- Further to the last meeting, the Group's comments on prioritisation and the need to understand and engage the consumer have been taken forward by the Integrated Transmission Planning and Regulation (ITPR) team.

- The Future Trading Arrangements (FTA) project team have sought input from larger consumers (through the Large User Group meeting) following comments from the Group at the last meeting concerning consumer involvement. The team has also begun to consider trading arrangements in the long-run, beyond current government interventions, and are considering a dedicated work stream to take this forward. The comments made by the Group regarding the experience in other European countries have also been considered.

4. Green Tariffs Update

4.1. Adam Cooper gave a brief update on green tariffs, explaining to the Group that we are currently consulting on the issue and have broadened the scope of our work to include both the certified and non-certified tariff market. This was welcomed by a number of Group members.

4.2. He explained that despite the recent political activity and announcement on green levies by the Prime Minister, the timeline of the consultation remained the same as the main concern is making the market more transparent and addressing any miss-selling.

4.3. The Group also discussed the Advertising Standards Agency's treatment of Green tariffs and agreed that a consistent approach was required to make real headway in the market.

5. Community Energy

Natasha Smith and Stew Horne, Ofgem

5.1. Natasha Smith (Senior Manager, Sustainable Energy Policy) and Stew Horne (Senior Manager, Consumer Policy) presented on Community Energy (CE) and collective switching respectively. Natasha outlined the recent increase in the political profile of CE as well as the recent rise in the number of community generation projects. She also clarified our interest and work in the area, explaining that our current focus is to achieve a better understanding of the sector, identify any opportunities and/or barriers that exist in current policy and to explore the links with consumer protection and CE. Stew followed this by introducing the concept of collective switching and detailing its development in the UK over the past 18 months. He discussed the benefits of collective switching as an effective engagement tool, reducing the hassle of switching and helping consumers to save money on domestic bills. He outlined Ofgem's development of regulatory options to protect consumers engaging in collective switching including a voluntary accreditation scheme and potential to expand the confidence code.

5.2. Key points in the discussion following the presentation raised by members included:

- Past experience indicates that collective switching has provided a limited choice on the type and cost of tariff that a consumer can switch to. It would be beneficial if the green tariff accreditation scheme could help in this area and ensure a co-ordinated approach is taken across both the certified and non-certified market.
- The Group discussed the implications of collective switching on the Warm Home Discount (WHD) scheme. Concern was expressed that consumers may lose eligibility for the WHD when switching and that it is not a current requirement of the confidence code to ensure this is communicated effectively. This is particularly relevant given the recent anger towards the larger energy firms and the anticipated move of customers to smaller suppliers who tend not to offer the WHD.
- Stew added that the practical issue of how to establish whether a consumer is receiving the WHD prior to engaging in a collective switching scheme remains, and advised that the issue would form a key part of further consultation later this year.

Nigel Farren, Energise London

5.3. Nigel Farren provided a practitioner's viewpoint and presented on the work of Energise London, a social enterprise establishing CE, helping consumers to save money, and reducing fuel poverty across the London Boroughs. He provided an overview of the CE sector, highlighting the organisations leading the way and the potential for Distribution Network Operators (DNOs) and Local Authorities to help establish more successful initiatives. Nigel detailed his experiences of legal, investment, regulatory and support barriers preventing growth in CE organisations. He also presented details on how Ofgem could assist CE organisations going forward, highlighting that the amount of support available could determine how large the sector can grow.

5.4. Key points in the discussion following the presentation raised by members included:

- Members posed the question as to which of the barriers presented by financial and regulatory issues were greatest. Nigel explained that at present, due to the size of the sector, the lack of funding was the greatest barrier to growth, explaining that a large number of projects required a relatively low level of funding that could not be supported by the Green Investment Bank.
- The Group identified that network infrastructure may be more favourable to CE projects in other member states, explaining why the percentage of community energy renewables is greater elsewhere than in GB. However, the Group agreed that there is a need for the industry and community to work more closely together to enable CE projects to flourish.

Derek Lickorish, Fuel Poverty Advisory Group

5.5. Derek spoke to the group about CE and fuel poverty. He began by providing some brief context, highlighting the large number of fuel poor households in the UK and the number of issues the industry is facing, despite the welcome news of social obligations under the RIIO framework. He explained the need for regulatory incentives for DNOs to ensure they fulfil social obligations towards the fuel poor and outlined the opportunity that exists to work alongside housing associations and local Authorities if the right catalyst could be identified. He sought to explain the opportunity that may exist to align other regulatory incentives such as Distributed Generation for DNOs and Bio Methane for GDNs, with both used to facilitate some form of District Heating, with the latter possibly funded by the Green Deal. The benefit to a DNO being improved network resilience and/or the freeing up of major electrical capacity in urban areas and thereby facilitating earlier connection of major commercial development by avoiding prolonged and deep network connection works. He also presented the issues of the leadership and funding which may inhibit potential regulatory synergies and in turn new and creative solutions to solve fuel poverty.

5.6. There were no immediate questions following Derek's presentation.

Juliet Davenport, Good Energy

5.7. The final presentation was delivered by Juliet. She presented five different case studies of CE to give the group a sense of the different projects that already exist in Great Britain. Examples of community investment, provision of resilient supply, generation of community revenue were all given, alongside an example of a scheme designed to tackle fuel poverty. She also explained that each community scheme tended to differ in terms of approach and requirements, highlighting throughout the importance of engaging consumers in the sector and allowing them to visualise energy in an effort to spark behavioural change.

5.8. Key points in the discussion following the presentation raised by members included:

- Members agreed that the industry is not engaging sufficiently with consumers. Existing initiatives are generally community-led; further models should be explored, and industry must also take responsibility for engagement.
- Members discussed recent development of CE in Scotland and Wales, noting in particular that although funding exists, and CE is seen as a vehicle to help eradicate fuel poverty, a number of problems remain concerning investment, complexity and regulatory uncertainty. It was agreed that improved leadership is required on a number of fronts.

5.9. Following the conclusion of the four presentations the Group were invited to discuss the issues raised. The Chair channelled the discussion into four key areas: the simplicity, transparency and provision of information; network access; the need for investment; the need for regulatory incentives. He posed the question as to what Ofgem could do in each area. Key points in the discussion raised by members included:

- The Group stated that CE may benefit from a more imaginative role from DNOs in order to create small benefits at the household level. Members discussed the fact that at present only TPIs can help bring DNOs to the 'table' despite the fact they are connected to both consumers and the suppliers as well as to the regulator. They also discussed the scope for tariff support arrangements to better engage with consumers at the community level and encourage behavioural change.
- Members identified the fact that large suppliers have an incentive to maximise consumption whilst DNOs have an incentive to decrease it. This presents a large opportunity for DNOs to facilitate and help to implement behavioural change (ie demand-side). Community education was discussed as a vehicle to aid fuel poverty, as was the possibility of using the smart meter rollout as an opportunity for networks to engage with consumers.
- The Group discussed Ofgem's role in relation to energy efficiency and reduction initiatives, expressing the opinion that there was a need for a tangible link so that customers can see the overall impact of such schemes on their bills. Members also identified the potential for Ofgem to integrate the separate incentive schemes that exist between gas and electricity and our role in driving separate programmes to interact more effectively.
- Members raised the point that Ofgem needs to consider the human capacity to engage with the energy system and whether the current regulatory system is fit for purpose. Ofgem also needs to consider how its primary duty affects the implementation of CE projects given some organisations are not-for-profit and may not necessarily be pro-consumer.
- The role of Local Authorities was discussed further, with Members acknowledging that aside from DNOs they are the only party in touch with every household in a given region. The potential for interaction between DNOs and Local Authorities, and how Ofgem can facilitate this, was discussed.
- Ultimately members agreed that the regulatory framework needs to keep pace with sector developments. Sarah Harrison concluded that a range of Ofgem work touches on the issues raised and that the immediate challenge was to map these and share them with the Group for further input.

6. Date of next meeting

6.1. The next meeting will take place on 27 February 2014, 10:00-12:00. The remaining 2014 meetings will take place on 26 June, 10:00-12:00 and 2 October 10:00-12:00.