

## 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 RMR 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>	21 June 2013	Final statutory consultation on all the proposed RMR measures.	<a href="#">RMR – Statutory consultation</a>
			August 2013	First measures come into effect	
			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.	
Third Party Intermediaries Project	Ofgem is examining the role of TPIs, in both the domestic and non-domestic energy sectors.  We are considering a strategy for an enduring regulatory framework for TPIs. Similarly we are aware of the more immediate issues in this sector and are developing regulatory options to address these issues, including, but not limited to, Collective Switching, a review of the Confidence Code and a draft Code Of Practice for TPIs in the non-domestic retail energy market. We aim to consult on these separately in late 2013 and early 2014.	<b>CEP</b> – the CEP project will consider the data and information needs of TPIs to effectively empower consumers in a smarter market.	June 2013	Consultation on potential regulatory options for TPIs in the domestic and non-domestic retail energy markets.	<a href="#">Open letter on TPI Programme: October 2013</a>
			October 2013	Stakeholder workshop and open letter published	
			Autumn 2013	Ofgem aiming to secure new powers under Business Protections from Misleading Marketing Regulations (BPMRs)	
RIIO-ED1	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><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 DSR 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>	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.	

Smart Grid Forum	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.	<b>ES</b> – work stream 6 of the smart grid forum is examining the role of DNOs in the future. This includes developing options on 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.	Autumn 2014	Work stream 6 due to draft final recommendations	<a href="#">Ofgem's Smart Grids Forum webpage</a>
Low Carbon Network (LCN) Fund	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.  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.	<b>DSR</b> - Some of the LCN Fund projects are exploring the role that DSR could play in network operation.	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	2 <sup>nd</sup> Tier winners announced	
Electricity Balancing Significant Code Review (EBSCR)	The scope of the EBSCR prioritises changes addressing long-standing concerns with existing balancing arrangements. In particular the EBSCR focuses on cash-out price formation and the need to improve cost reflectivity and incentives to provide flexibility and security of supply.	<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.	Q3 2013 2013	Draft policy decision consultation published	<a href="#">Ofgem EBSCR webpage</a>
			Spring 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	
Future Trading Arrangements	Ofgem has also launched a new process to create and build consensus on GB's future electricity trading arrangements. The purpose of this process is 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.	<b>ES</b> - Now that Ofgem has launched a project on the future trading arrangements, it is essential that settlement reform is consistent with this work as settlement is one aspect of the trading arrangements.  <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.	May 2013	Future Trading Arrangements Process launched	<a href="#">Ofgem FTA webpage</a>
			2 July 2013	First FTA Forum meeting	
			30 Sep 2013	Second FTA Forum meeting	
			18 Nov 2013	Third FTA Forum meeting	
			Dec 2013	Consultation on proposed scope of FTA project	
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's Consumer Vulnerability Strategy</a>

HMG/Ofgem projects					
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)	
			Nov 2013	Amended legislation ('ECO 1.1') laid in parliament	
			Jan 2014	DEC consults on extension to ECO ('ECO 1.2')	
			April 2014	Amended legislation ('ECO 1.1') takes effect	
			1 Apr 2015	Deadline for achievement of obligations.	
			1 Apr 2015	Extension to ECO?	
<b>HMG Government Projects</b>	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	
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HMG Government Projects					
Electricity Market Reform (EMR)	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:  <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> - 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. Settlement reform could improve the accuracy and speed and allocation of these costs.</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 published a response to their EDR project consultation in May 2013. They have put down amendments to the Energy Bill so that a financial incentive to encourage permanent reductions in electricity demand can be delivered through the	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.	Nov 2012	Consultation on how to further incentivise/support/encourage efficient electricity use	<a href="#">DECC EDR webpage</a>
			May 2013	Consultation response published	

	<a href="#">Capacity Market</a> . DECC are currently developing a pilot scheme to test this approach which they expect will be launched in Summer 2014.		Summer 2014	Pilot due to be launched	
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 in several key sectors including energy. However, this will be reviewed in early 2014 (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.	Early 2014	BIS will review whether companies are (voluntarily) providing consumers with their consumption/transaction data in an appropriately useable electronic format. BIS have the power in the Enterprise and Regulatory Reform Act to mandate Midata in key sectors including energy, if they are not satisfied with voluntary progress.	<a href="#">Midata: 2012 review and consultation</a>
National Energy Efficiency Data-framework	The data framework matches gas and electricity consumption data, collected for DECC sub-national energy consumption statistics, with information on energy efficiency measures installed in homes, from the Homes Energy Efficiency Database (HEED).		November 2012	Summary of analysis	<a href="#">NEED webpage</a>
			July 2013	Summary of analysis 2013: Part 1	
			November 2013	Publication of analysis	
<b>Industry-led projects</b>					
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.	<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.  <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.	October 2013	Impact assessment consultation	<a href="#">Elxon's page on P272</a>
			Q1 2014	Ofgem decision letter on whether to accept or reject the modification.	
			2015	Date of implementation (if accepted)	
Project Nexus	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.  Xoserve are currently developing the modifications, along with the legal texts and impact assessments that will accompany them.	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.  <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.	Q1 2014	Decision on modifications (subject to when modifications are received by Ofgem)	<a href="#">Xoserve's page on Project Nexus</a>
			Q4 2015	Changes come into effect (if accepted)	
<b>Europe</b>					
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.	27 Mar 2013	The Agency for the Cooperation of Energy Regulators ACER issued a recommendation to the European Commission to adopt the Demand Connection Code (DCC). The code is envisaged to go through the European Commission's Comitology procedure later this year.	<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	Spring 2014	Target date for adoption of legislation by European Parliament	<a href="#">European Commission Proposals</a>