

Consumer Empowerment and Protection

SMCG Presentation

29 September 2014

ofgem

Objective:

The objective of this presentation is to discuss progress and developments within the Consumer Empowerment & Protection project. We will provide an overview of our recently published consultation response and decision document, and set out our workplans for the phase 1 work areas.

We welcome your views on our plans and early indications of whether you would like to be involved in any of the work areas.

Content:

1. Background & overview
2. Key themes from consultation responses
3. Updated work programme
4. Updated objectives for phase 1
5. Approach to micro-businesses
6. Workplans for phase 1 areas

Recap:

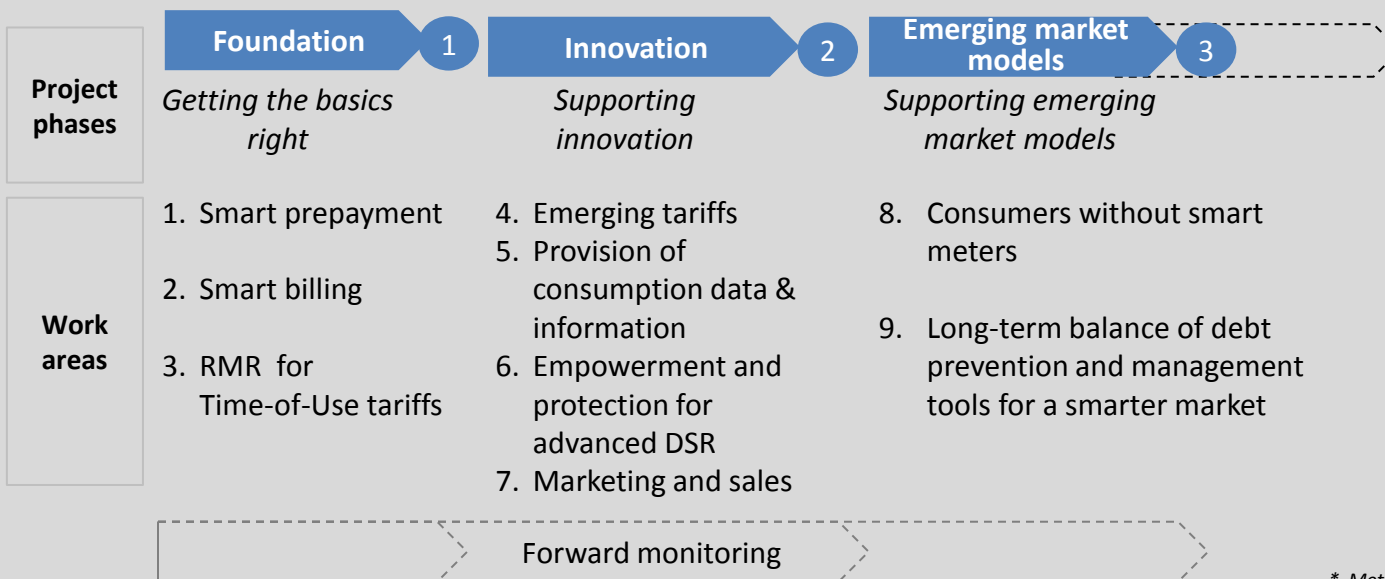
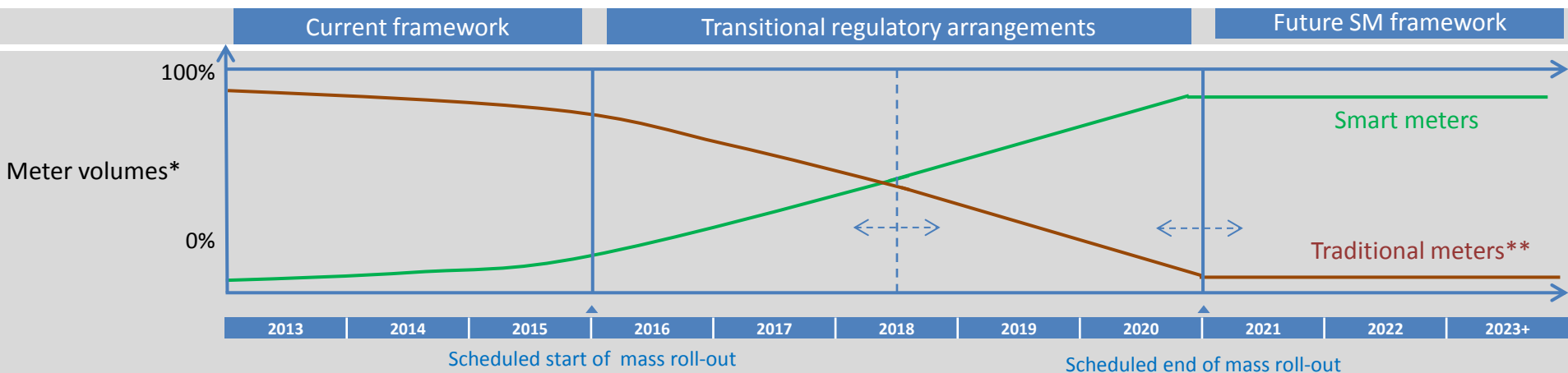
- We issued a first Consumer Empowerment & Protection consultation in December 2013. This set out our proposed work programme of 9 focus areas across 3 phases.
- We also identified high-level objectives for Phase 1 work areas.
- We also set out an approach for incorporating micro-businesses and for operationalising our Vulnerability Strategy.

Consultation responses:

- We received 18 responses from a range of stakeholders incl. large and small suppliers, consumer bodies and industry groups.
- Respondents were broadly supportive of our proposals, with many comments and suggestions provided.
- Four key themes emerged across several respondents
- We issued our [decision document](#) on 19 September
- The decision document provides our views against many of the individual comments and suggestions submitted by respondents.

	Key messages from consultation responses	Our response
1	We need to maintain flexibility in terms of the work programme	We agree. We want to provide early clarity on expected priorities and focus, but the work programme is not set in stone. We can and will adjust based on market developments.
2	We need to acknowledge the multiple demands on suppliers in the run-up to Initial Live Operation (ILO)	We are very aware of this, and have been mindful in designing our approach and timings. However, some areas of consumer protection cannot be left until ILO or beyond; early clarity in these areas can also inform process and system design.
3	We need to be careful not to stifle innovation and competitive differentiation (eg in billing and ppm solutions)	We don't intend to. Where such concerns are relevant, our intention is to consider minimum standards. We are of the view that this can be consistent with enabling innovation and competitive differentiation.
4	We need to carefully manage internal and external interactions and interdependencies, eg WS6, EED etc.	We already highlighted several interactions in our consultation document, and acknowledge the additional ones brought to our attention. These include Workstream 6 under the Smart Grid Forum and the European Energy Efficiency Directive. We will carefully manage such interactions.

Our updated work programme: 9 work areas across 3 phases



* Meter volumes are illustrative
 ** Not necessarily current traditional meters

Phase and timings	Work area	High level objectives
Phase 1: Foundation 2014-2015	1. Smart prepayment	<ul style="list-style-type: none"> • Prepayment as a clear and convenient proposition for consumers • Safe, easy and proportionate switching between prepayment and credit • Consumers protected from top-up failures • Robust understanding of self-disconnections and considered use of this information to support consumers • Effective use of available smart prepayment functionalities to support consumer budget management and debt prevention (eg low credit alerts) • Appropriate emergency and friendly credit arrangements • Prepayment consumers switching easily between suppliers with accurate and timely credit transfers or refunds
	2. Smart billing	<ul style="list-style-type: none"> • Accurate bills supported by convenient and effective billing frequency and payment method arrangements • No reliance on estimated meter readings • Appropriate direct debit calculations based on accurate consumption data • No back-bills where the consumer is not at fault • Timely and accurate opening bills, final bills and rebates
	3. RMR for time-of-use tariffs	<ul style="list-style-type: none"> • Retail Market Review (RMR) reforms for simpler tariffs and clearer information applied appropriately to time-of-use tariffs • No unnecessary barriers to time-of-use tariffs due to RMR reforms

What has driven some of the decisions to-date?

What happens even if the DCC is responsible?

Is there a case for a phased approach?

- We have made changes in recognition of the key messages, especially on competitive differentiation and innovation
- The challenges are different across work areas and our workplans reflect this.

- We proposed to address micro-businesses within each work area where appropriate. The majority of respondents agreed with this and we will adopt this approach. We recognise that needs of micro-businesses may differ from those of domestic consumers.
- Our approach to considering micro-businesses within each work area does not mean this always needs to happen *together with* and *in parallel to* domestic consumers.
- In phase 1, we will consider micro-businesses for the smart billing and smart prepayment work areas. The starting points are very different:
 - Traditional prepayment is not as prevalent in the micro-business segment, but we recognise that its use may increase with smart meters. Current prepayment regulations apply mainly to domestic suppliers.
 - Billing arrangements are in place for both micro-businesses and domestic consumers. Although similar in terms of being largely self-regulatory, the specific platforms differ. The issues associated with each also differ
- We will therefore address micro-businesses as follows:

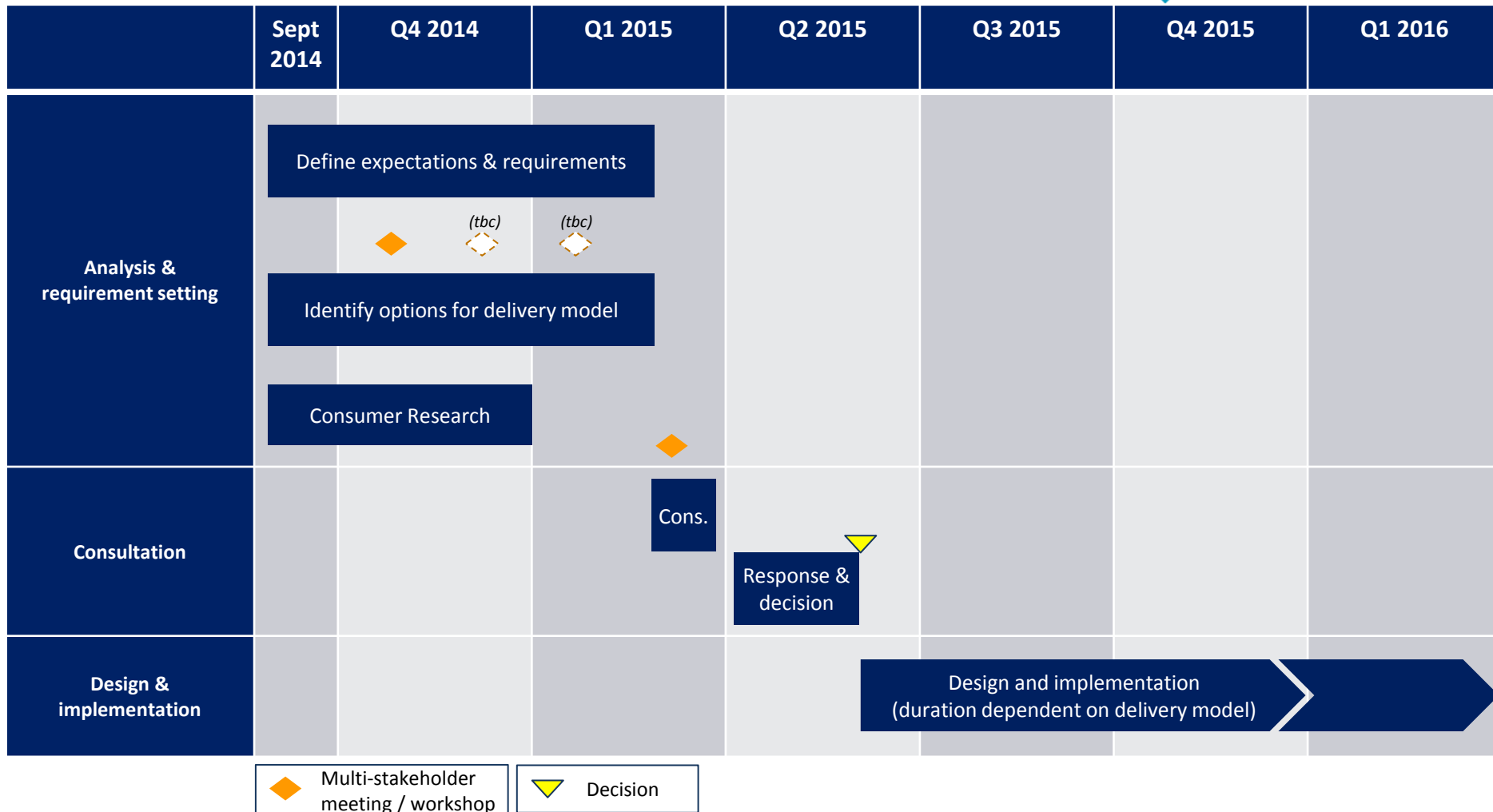
	In parallel	Consecutive
Together	<i>Smart ppm</i>	
Separate	<i>Smart billing</i>	

Our indicative workplan for 'smart prepayment'

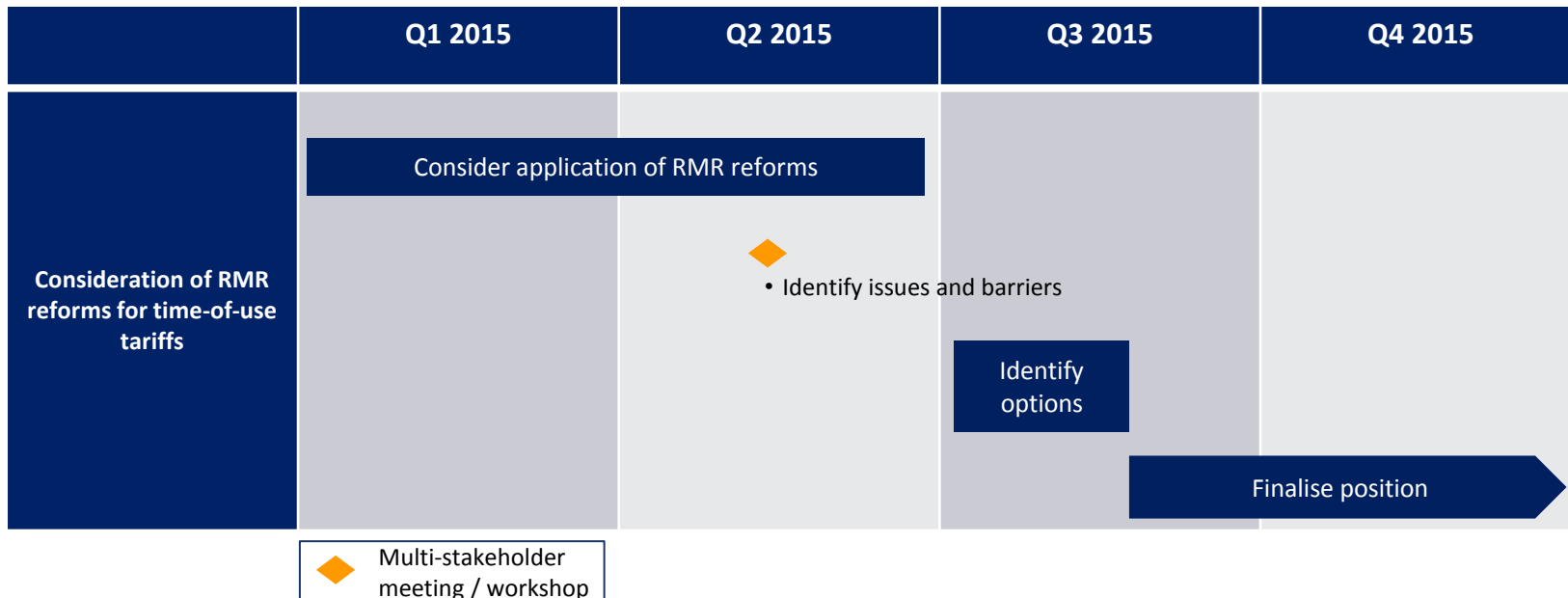
	Sept 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Analysis		◆ • Self-disconnection workshop					
		Understand smart ppm intentions & options					
	Set-up	◆					
		Consider existing arrangements					
	Collate research	Consumer research (TBC – if gap identified)	◆				
Design				Define protections and minimum standards/expectations			
				Define changes to existing arrangements			
Consultation & implementation					Consult & implement		

◆ Multi-stakeholder meeting / workshop

Our indicative workplan for 'smart billing'



Our indicative workplan for 'RMR for time-of-use'



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