



Ofgem-DECC Independent Suppliers Forum

Adam Cooper, Ofgem and Rachel Crisp, DECC
28/01/2015

ofgem

Morning Agenda

Time	Item	Speaker	Applies to
1015	Tea and Coffee available		All
1030	Introduction and welcome	Adam Cooper (Ofgem) and Rachel Crisp (DECC)	All
1035	Welcome from Dermot Nolan	Dermot Nolan (Ofgem)	All
1045	Midata	Patrick Whitehead (DECC)	Domestics
1110	Domestic back billing	Martin Abraham (Ofgem)	Domestics
1135	Gas Prepayment Meters Overcharge	Ciaran MacCann (Ofgem)	Domestics
1200	Credit Balances on Closed Accounts	Phil Sumner (Ofgem)	Domestics and non domestic SMEs
1230	Networking lunch		All

Afternoon Agenda

Time	Item	Speaker	Applies to:
1310	Welcome and Update from Rachel Fletcher	Rachel Fletcher (Ofgem)	All
1320	Quicker Switching	Andrew Wallace (Ofgem)	All
1350	Short update on Non-domestic Third Party Intermediaries (TPIs) ITEM MOVED TO FUTURE FORUM	Meghna Tewari (Ofgem)	All
1400	REMIT Registration	Alasdair Yuille (Ofgem)	All
1430	EU Financial Regulation update	Joseph Gildea (Ofgem)	All
1440	Quick policy updates	Rachel Crisp (DECC) and Adam Cooper (Ofgem)	All
1500	Short engagement update	Dawn Armstrong (DECC) and Vanessa Sturman (Ofgem)	All
1515	AOB/general discussion	Rachel Crisp (DECC) and Adam Cooper (Ofgem)	All
1530	Close		

Welcome from Dermot Nolan, Ofgem CEO

Midata (DECC)

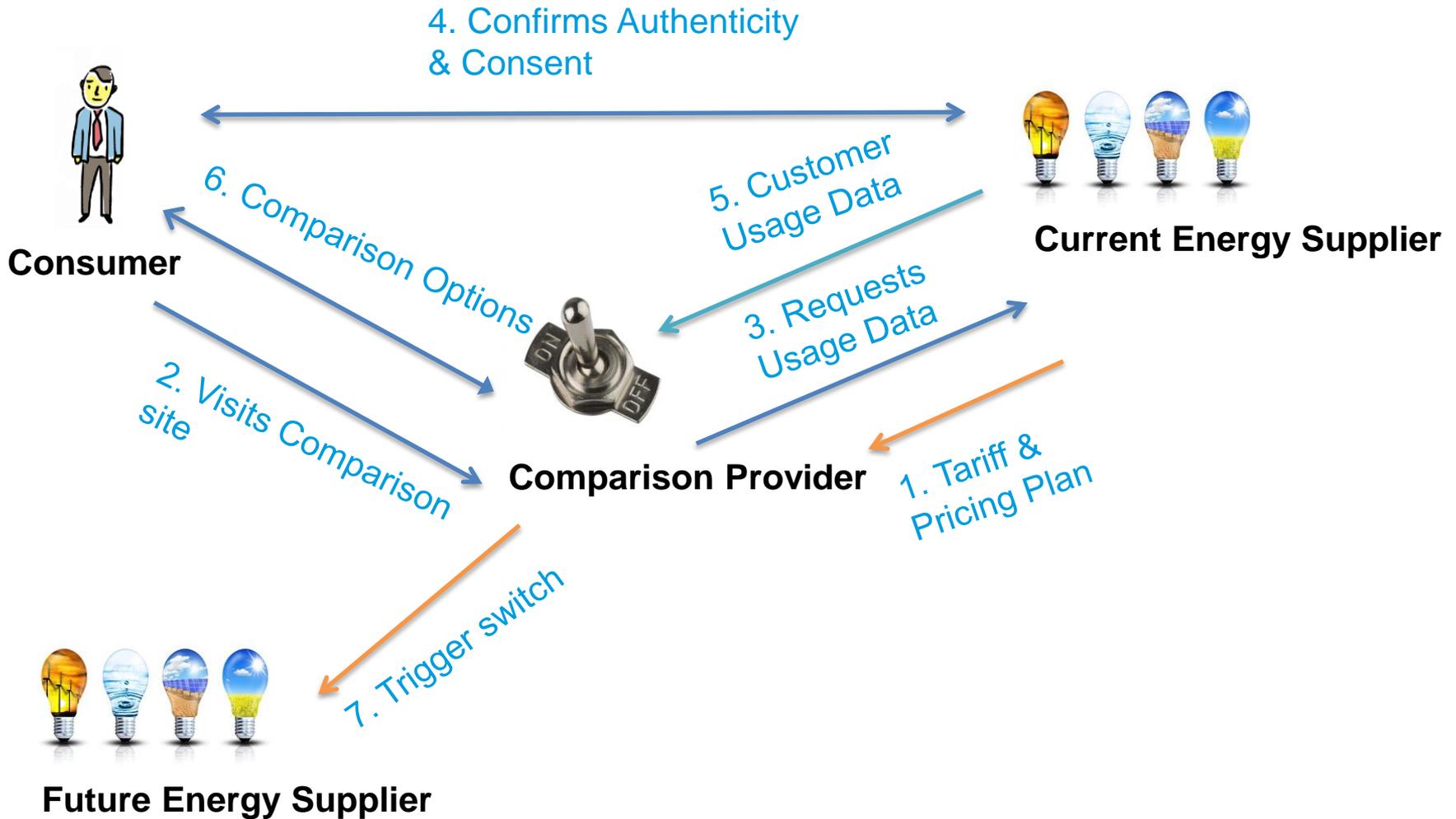
Patrick Whitehead

Patrick.Whitehead@decc.gsi.gov.uk

- Give consumers back the data that companies hold about them in ways that are useful
- Greater consumer engagement in markets
- More useful services to help people manage their consumption/spend
- Voluntary programme since 2011 – industry, Government, consumers
- Government has enabling powers to require release of data – energy, mobile phones

- Domestic energy customers
- Account number, tariff, MPAN, MPRN, kWh, contract end date, forecast annual cost, payment method
 - In line with data used for QR codes
- Big Six and First Utility provide standard midata files to download from online accounts
- Low take-up – friction is too high; comparison sites don't use midata files
- Automated access by third parties at consumers' request and with their consent would significantly reduce friction

- Ministerial roundtable 11 June 2014 to discuss how to deliver automated (API) access to third parties with robust security and consumer consent
- Working group involving suppliers, comparison sites, app developers, consumer groups
 - Workstreams: trust, processes and consent, legal, technical solution
- Recommendations considered by Ministerial roundtable on 26 October
- Design specification produced



- Takes away manual effort and input of consumers
- Consumers can get an accurate competitive quote more quickly and easily
 - Greater engagement
 - Greater switching
 - Greater trust
- Improved data quality - less erroneous transfers
- Simple and low cost
- Opportunity to improve the industry and show leadership

For DECC

- Agree implementation date with first wave suppliers
- Switching sites developing tools
- Available to as many consumers as possible and mainstreamed in the energy industry

For you

- Consider implementation
 - as part of QR and broader work programme
- Contact DECC to discuss implementation
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Domestic back billing (Ofgem)

Martin Abraham

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- Following a “Super-complaint in 2005”, Ofgem directed the industry to stop back-billing domestic customers for any unbilled energy consumed more than 12 months ago, where the supplier is at fault for the problem.
- This was intended to prevent consumer detriment, debt issues and “bill shock”. We believe it:
 - acts as an added incentive to suppliers to bill their customers accurately and in a timely manner
 - gives consumers confidence that the industry will take responsibility for its own errors.

Date	Milestone
6/4/2005	Energywatch make a “Super-Complaint” to Ofgem
8/4/2005	Ofgem invites comments and commences investigation
5/7/2005	Ofgem directs industry to stop back-billing more than 12 months where at fault and set up and fund a redress scheme. Also encourages development of Codes of Practice/customer charters
2005 - ongoing	Ofgem works with Citizens Advice, suppliers and Energy UK to ensure the “Back-Billing Principles” are reflected in their Codes and practices
25/7/2012	Ofgem, Energy UK and Consumer Focus issue a joint guide for domestic consumers
23/8/2013	Standards of Conduct come into force - these cover back-billing

Back-billing principle

If your supplier is at fault, it will not seek additional payment for unbilled energy used more than 12 months prior to the error being detected and a corrected bill being issued.

Next Steps

Ofgem expects all domestic suppliers to apply the back-billing principles

- We are open to discussions with individual suppliers or representative groups.
- We expect suppliers to value the views of Citizens Advice and the Ombudsman Service: Energy

Gas Prepayment Meters Overcharge (Ofgem)

Ciaran MacCann

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Certain faulty Domestic Gas PPM meters were overcharging consumers

- Four types of domestic gas meter were manufactured with faults
- These affected PPM meters were not processing system messages properly to update meter with the correct CV code
- Total of 1.5 million affected meters installed since 2007
- Affected meters overestimated consumption by an average of 2%, so certain PPM gas consumers have been overpaying for gas
- 10 Independent suppliers (and 6 bigger suppliers) currently hold these affected meters.

- Energy UK notified us of the issue on 23 October 2014.
- Suppliers subsequently made the following consumers commitment, before meters are fixed:

**Speedy refunding of
traceable consumers**

Suppliers will not wait for the meter to be fixed before providing refunds to live account customers, and this will happen as soon as possible.

**Fair refunding of
traceable consumers (i)**

Refunds to live accounts will include a payment for the historic overcharging as well as a generous estimate of how the much the customer will pay until the meter is fixed.

**Fair refunding of
traceable consumers (ii)**

The repayment will not be net of debt unless the consumer has been given a choice and elected for this to happen.

- Suppliers are also considering how to compensate for the fact that some customers are non-traceable.

- Our published November 2014 letter asked affected suppliers to set out a swift timetable for refunding traceable consumers
- Suppliers have started refunding these consumers, and some independent suppliers have completed all refunds
- The technical solution roll-out to fix the meters has also begun
- We are closely monitoring progress to ensure that all suppliers meet their commitments to ensure that no consumer loses out
 - Now received responses to December 2014 information request from suppliers
- We are also investigating why the issue was not identified earlier by suppliers, and if anything needs to change to prevent such an issue arising in the future.

We welcome your views on...

- How we can closely monitoring progress going forward, to ensure that all suppliers meet their commitments to ensure that no consumer loses out
- Why the issue was not identified earlier by suppliers, and if anything needs to change to prevent such an issue arising in the future

Credit Balances on Closed Accounts (Ofgem)

Phil Sumner

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Large sums of customers' money (£millions) remain unreturned by suppliers when accounts have closed (change of supplier, change of tenancy).

Ofgem identified 3 key areas for supplier action to address this:

1. Reuniting individual consumers with their money

We want to see suppliers doing all that they can to ensure that money is returned to the people to whom it is owed.

2. Using balances that cannot be returned to individuals to benefit consumers more widely

Where money cannot be returned to individual consumers, we expect companies to find ways to use this money to benefit consumers more generally and be clear in communicating what they will do with this unclaimed money.

3. Preventing this issue from happening again

Suppliers' policies and processes must prevent such large sums being retained by them, with crystal-clear communication to consumers about what to do when closing an account. They should be open with customers about the size of the balances held and what they are doing with them.

Date	Milestone
28 February 2014	Ofgem Press statement released in relation to British Gas, EDF, EON, Npower, Scottish Power and SSE
March 2014	Second Information Request submission returned to 6 larger suppliers
10 September 2014	<p>EUK announcement on action by 6 larger suppliers for domestic closed account balances:</p> <ul style="list-style-type: none"> • 10 common standards adopted • <i>'myenergycredit'</i> campaign • Funds for unreturnable money <p>Ofgem welcomed, but has not ruled out further action depending of outcomes</p>
September 2014	Independent supplier Information Request for domestic and micro-business returned
December 2014	<i>'myenergycredit'</i> campaign launched
December 2014 and ongoing	Energy UK and ICSS developing common standards address the issue for micro-businesses

10 voluntary minimum standards for domestic customers

Energy UK
The voice of the energy industry

Closed accounts with credit balances
10 voluntary minimum standards
19 June 2014

Six suppliers (British Gas, EDF Energy, E.ON, npower, ScottishPower and SSE) have agreed to adopt the following voluntary minimum standards to help ensure credit balances from closed domestic accounts are returned to former customers:

1. Suppliers will make clear on their websites that when an individual moves home they should 'take final meter readings' and send them to their supplier plus a forwarding address. Where a supplier is notified that a customer is leaving a property they will ask for the final meter reading(s) and for a forwarding address.
2. When a supplier sends a final billstatement to a customer, it will make clear (on or with the final billstatement) if there is an actual or estimated credit balance on the account, and what (if anything) the customer needs to do to receive any credit, e.g. provide an actual meter read and/or a forwarding address on a Change of Tenancy.
3. Where the supplier holds the bank details or an actual address (i.e. a forwarding address on a Change of Tenancy) and name for a credit meter customer, it will refund credit balances (based on a final actual meter read) via Direct Debit refund or cheque automatically¹ or otherwise at the customer's request. If the customer remains with the supplier but has moved house, the credit will either be transferred to the new account or will be refunded directly.
4. To help ensure refunds are made to former customers, on a Change of Supplier, the losing supplier will treat the agreed meter reading provided by the new supplier as part of the switching process as a final actual meter read, subject to any disputed reads first being resolved.
5. For Prepayment Meter (PPM) customers, on a Change of Tenancy where the customer informs the supplier that they are leaving and provides a final actual meter reading, the supplier will discuss with the customer and agree how any final credit balances on their account (due to the customer following a reconciliation) should be handled, including the option of a refund.
6. Once the supplier holds the full and correct details, refunds will be issued as soon as reasonably practicable and within 14 days of a final billstatement (based on a final actual meter read) being produced for the vast majority of customers.
7. Following a Change of Tenancy or Supplier, the new supplier will seek to establish whether the customer is owed a credit balance from previous accounts that they may have had with that supplier. Where an old credit balance is identified and the customer's identity can be verified the credit will be transferred to the live account or will be refunded directly.
8. Suppliers will explore how, where a first attempt to refund a credit balance is unsuccessful (e.g. they have a former customer's actual address, but have not been provided with sufficient information to issue a credit refund), they could proactively follow up in a meaningful way any credit balances of a proportionate amount.

¹ Where the amount is less than £5, some suppliers may seek confirmation from the customer before refunding

Six suppliers (British Gas, EDF Energy, E.ON, npower, Scottish Power and SSE) have adopted the following voluntary minimum standards to help ensure credit balances from closed domestic accounts are returned to former customers.

Consumer awareness campaign



Over-arching consumer campaign run on behalf of the 6 major energy suppliers by Energy UK. Launched in December 2014.

- Request sent to over 30 independent suppliers for closed account balances data (for 2012-14), together with information on supplier processes, across both domestic and micro-business sectors
- Further data assurance with suppliers needed
- Initial figure of £m's unreturned across domestic and micro-business sectors relating to the period (likely to increase further due to assurance process as several suppliers are not included)
- Wide range of supplier policies and practices seen - improvements required across many.

Further data assurance required with suppliers across domestic and micro-business

Domestic

- Adopt and implement common voluntary standards (may not all be appropriate across all suppliers but should be considered by exception);
- Take action to return funds directly, including consumer information;
- Consider use of funds for money that cannot be returned directly.

Micro-business

- Develop and implement cross-industry standards (wider involvement beyond E.UK and ICOSS);
- Take action to return funds directly, including consumer information;
- Consider use of funds for money that cannot be returned directly.

Timing

- Domestic - Ofgem will be seeking assurances from suppliers on their progress in meeting our 3 requirements shortly;
- Micro-business - industry-led announcement on commitments and actions proposed for March 2015;
- Ofgem will be monitoring the effectiveness of supplier actions for both domestic and micro-business between now and summer 2015.

Networking Lunch

Welcome and Update from Rachel Fletcher, Ofgem Markets Senior Partner

Quicker Switching (Ofgem)

Andrew Wallace

Andrew.Wallace@ofgem.gov.uk

- The switching process is slow (it takes 5 weeks - moving to 17 days at start 2015), inefficient and unreliable for consumers many of whom believe that switching is a hassle
- This dampens competition leading to higher prices, lower quality service and less innovation
- Our objective is for a fast, reliable and cost effective change of supplier process that will facilitate competition & build consumer confidence
- Today's presentation updates on progress against our December 2013 reform road map

1. Secure a reliable three week switch now

2. Speed up switching in the short term

3. Longer term reform

- Tougher licence requirements from 1 Sept 2014:
 - Strengthen three week switching backstop
 - Preventing erroneous transfers
- Initiated industry work:
 - Improving the CoS meter read process for smart meter customers
 - Industry work to improve data quality
- Additional monitoring for example on objection performance assurance

1. Secure a reliable three week switch now

2. Speed up switching in the short term

3. Longer term reform

- Welcome suppliers' work to halve switching timescales
- DECC press release on 17-day switching
- Some independent suppliers have introduced these changes with commitments from others
- 9 of the 10 Energy UK suppliers now using new arrangements
- Further publicity expected on 17 day switching
- Welcome views on how this is working in practice

1. Secure a reliable three week switch now

2. Speed up switching in the short term

3. Longer term reform

- June 2014 consultation (followed extensive work with industry through COSEG)
- We will shortly publish our decision to launch an SCR and lead a programme of work that will deliver :
 - New centralised registration service
 - Next-day switching
- We will publish a draft Target Operating Model
- Our aim is to implement our proposals by end 2019

PHASE 1

Blueprint

ACTIVITY

- Define new market arrangements in a Target Operating Model (TOM) including Delivery Strategy
- Consultation and Decision (with IA) on preferred outcome

ROLES

- Workgroups led by **Ofgem**
- **Industry** and **consumer reps** to support workgroup option analysis
- **Industry** to provide data for IA

PHASE 2

Detailed Level Specification

ACTIVITY

- Define in detail how reforms will work
- Draft modifications to codes and licences
- Consultation and Decision (with IA) on SCR Direction and licence mods

ROLES

- **Industry Code Administrators** and **Ofgem** led workgroups
- **Industry** and **consumer reps** continue to support workgroups
- **Industry** to provide data for IA

PHASE 3

Enactment

ACTIVITY

- Changes made to codes and licences
- Central Registration Service procured

ROLES

- **Industry** raise code mods and **Ofgem** approve
- **Ofgem** make licence modifications
- **DCC** procure a central registration service

PHASE 4

Design, Build and Test

ACTIVITY

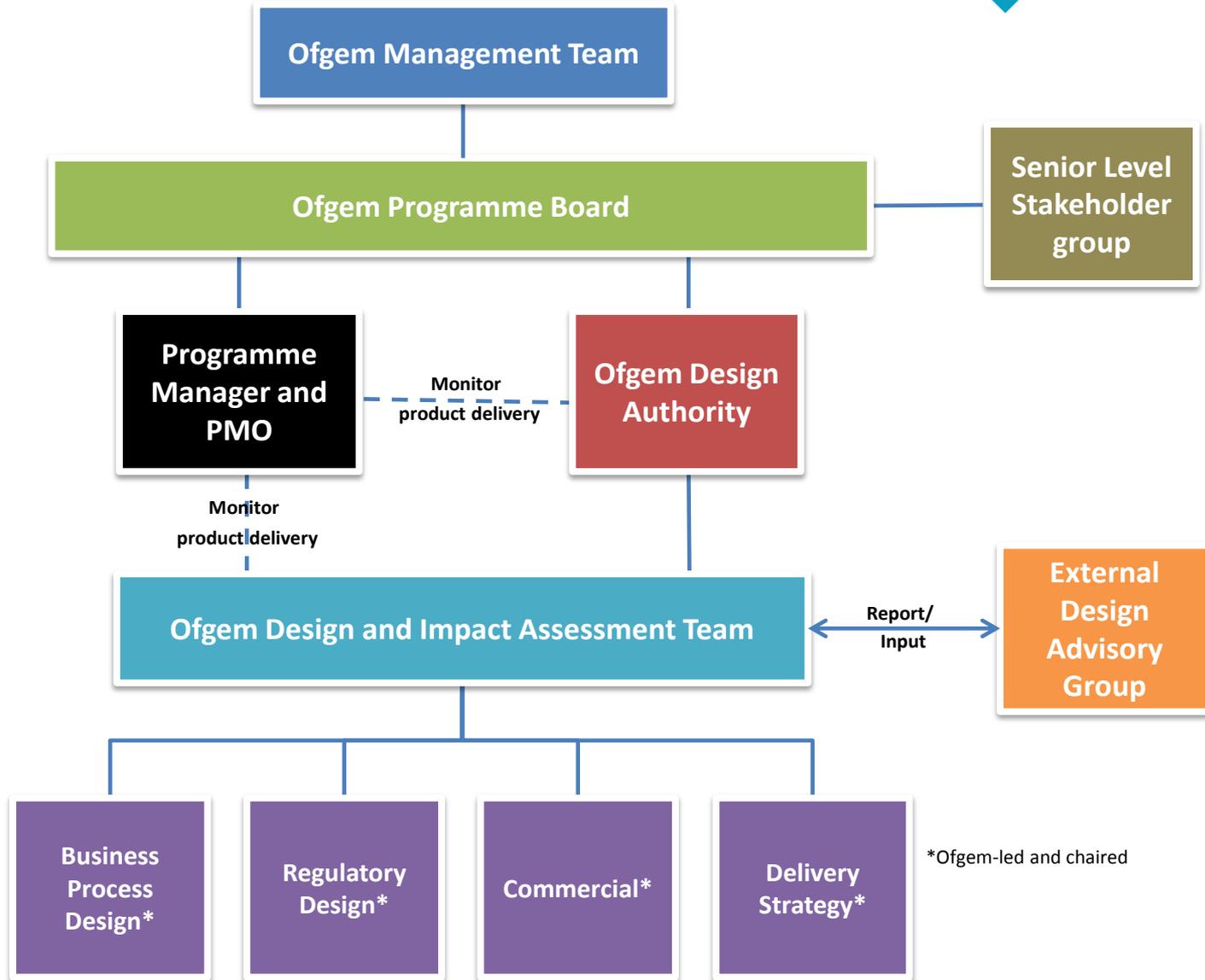
- Systems designed, built and tested
- Transition scheme executed

ROLES

- **DCC** and **Industry** implement reforms
- **DCC** undertake market assurance
- **DCC** execute Transition Scheme
- **Ofgem** monitor and take go-live decision

PHASE 5

Monitor and Evaluate



- Publish decision on reliable next-day switching and TOM consultation at start of February
- Industry workgroup discussions on TOM during summer 2015
- Blueprint workgroups begin by the end of 2015
- Progress key policy areas in advance of workgroups (eg cooling off and objections)

We want to understand your views and deliver the right outcomes for consumers. We welcome thoughts on how best to engage with independent suppliers throughout the switching programme

Short update on Non-domestic Third Party Intermediaries (TPIs) (Ofgem) (Item moved to future forum)

Meghna Tewari

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Please see [here](#) for information on this topic

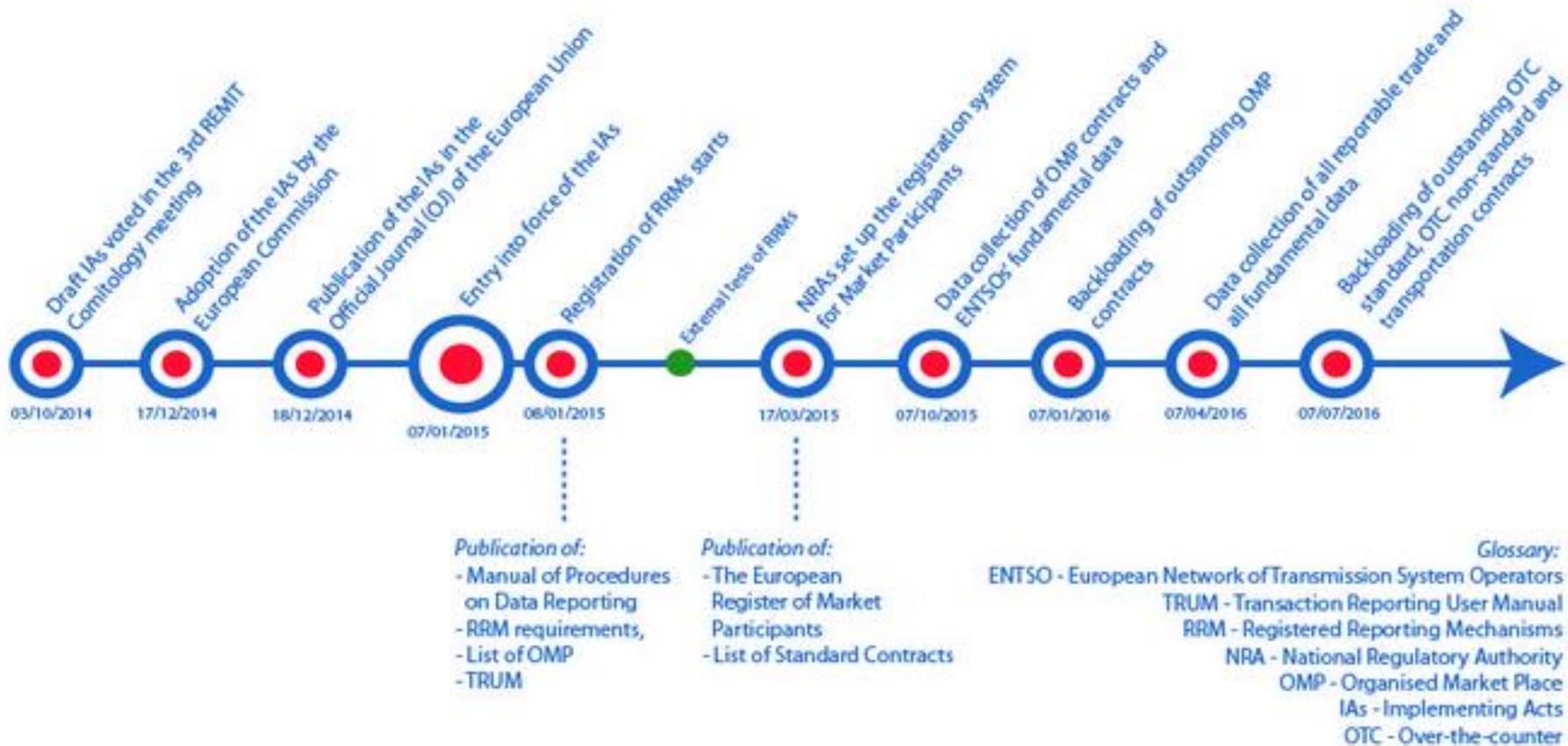
REMIT Registration (Ofgem)

Alasdair Yuille

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- June 2012 – ACER (Agency for Cooperation of Energy Regulators) Decision 01/2012
 - Outlined data to be provided:
 - Market participant information
 - Natural persons linked to the market participant
 - Ultimate controller of the market participant
 - Corporate structure of the market participant
 - Delegated parties for transaction reporting
- 2012 -2014
 - ACER & national regulators develop online platform (CEREMP) for use by market participants to fulfil REMIT registration obligations.
- December 2014
 - REMIT Seminar
 - **REMIT Registration for market participants opened in GB**
 - REMIT Registration FAQ and full manual published

Where are we now?



- **Are you a market participants under REMIT?**
 - Any person who enters into transactions in wholesale energy markets
 - Includes intra-group contracts
 - No regular transaction reporting but do have to register.
 - Includes some final customer contracts
 - Questions have been raised on this. Raising issue with European regulators
 - Role for suppliers to provide views?
- **Market Participants need to:**
 - Register before entering into any relevant trades
 - You are also required to keep registration information up to date
- Full details of how to do this in Ofgem's REMIT Registration Guidance. Available at www.ofgem.gov.uk

- We'll check over your information to reduce the risk of mistakes
- This isn't a full validation - it's just an initial check
- You're still responsible for accuracy

CEREMP User Account

- User creates an account on CEREMP
- We'll check the application
- User receives email with CEREMP Username

Market Participant Registration

- User logs into CEREMP
- Completes Market Participant registration
- We'll check the application
- User will receive an email with ACER Code

- Transaction reporting deadlines
 - 7 October 2015 – Transactions on organised market places (ie broker/exchange traded contracts)
 - 7 April 2016 – Other transactions
- Market participants required to submit registration information before reporting transactions
- We expect to receive further civil powers in relation to REMIT registration ahead of these deadlines
- Any questions relating to REMIT registration, contact REMIT.registration@ofgem.gov.uk

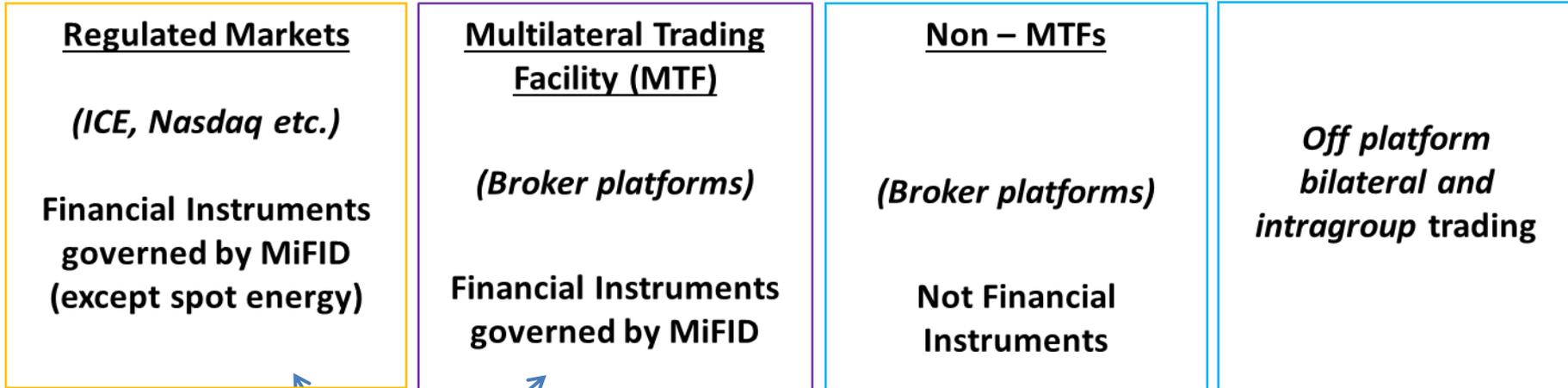
EU Financial Regulation update (Ofgem)

For discussion only - not to be considered as legal
advice

Joseph Gildea

Joseph.Gildea@ofgem.gov.uk

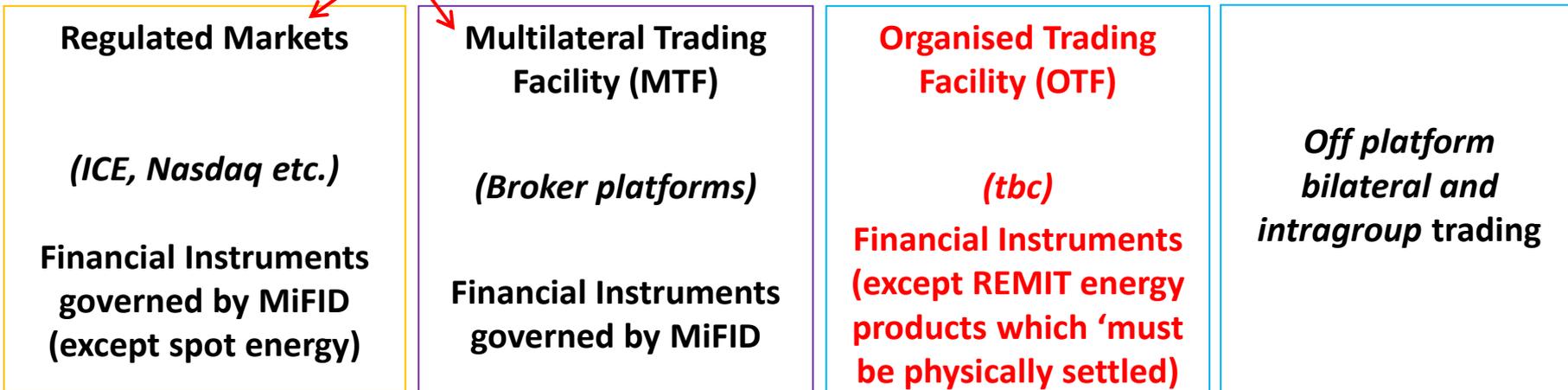
Current MiFID 1 World



3 possible exemptions for energy traders

Only 1 exemption remains for energy traders

Future MiFID 2 World



Markets in Financial Instruments Directive (MiFID 2)

- MiFID (1) applied in UK since November 2007
- MiFID 2 developed as a response to the financial crisis/G20 Commitments
- Aims to protect investors; bring more Over The Counter (OTC) trading into the scope of financial regulation

Major milestones

- MiFID 2 entered into force June 2014, will apply from 3 Jan 2017
- European Securities and Markets Authority (ESMA) to consult on the 'Level 2' technical details (May-Aug 2014, Dec 2014 – Mar 2015)
- European Commission to adopt Delegated Acts Jun 2015 and Jan 2016.
- Member States to transpose into national law by Jan 2017 (likely HMT changes to legislation and FCA changes to its Handbook)

Questions to consider

- On which platforms are you currently trading?
- Are you trading physical or cash settled?
- Have you considered the impact of MiFID 2 compliance on your business?

Issues industry has made us aware of:

- Must be physically settled definition
- Ancillary business exemption
- Position limits and position reporting

Next steps

- Review your position vis-à-vis MiFID2
- ESMA Consultation closes 2 March
- Speak to industry representative bodies.
- Speak to the FCA, DECC, HMT
- Feed your concerns back to us

Ofgem's engagement

- Work closely with FCA, DECC, HMT on this at GB level.
- At EU level through Council of European Energy Regulators (CEER), ACER and DG ENERGY

Ofgem and DECC Quick Policy Updates

Ofgem Quick Policy Updates

- Update on CMA Energy Market Investigation (see next slide)
- Enduring Information Requests: Retail Markets (see next slide)
- Secure and Promote – Market Monitoring
Yasmin.Valji@ofgem.gov.uk
- E-serve customer number submission deadline. Please contact Tamsin Hill or Dale Winch - FITS@ofgem.gov.uk
- Electricity Balancing Significant Code Review (EBSCR) (see next slide)
- Confidence Code

Update on CMA Energy Market Investigation

- Third Party Hearings are now complete. We expect to see some working papers and an annotated issues statement which will help understand the CMA's latest thinking
- Ofgem has submitted 3 papers on topics on issues we think the CMA should consider
 - Incumbency in the retail energy market exploring why incumbency could be having a negative impact on competition
 - A submission on why Code Governance may be barrier to competition
 - Wholesale electricity market paper setting out our views on what a well-functioning whole market should achieve

What is the request?

Voluntary request

Formal letters sent out in
July 2014 to suppliers*

Several reports on
customer numbers,
transfers and other
aspects of the switching
activity

Why is it important to Ofgem?

This is a key element of
our enhanced market
monitoring framework

Enhanced monitoring
feeds into our regular
market assessment,
informs and provides
support to robust retail
policies

How will this benefit you?



Increase our awareness
of independent
suppliers' specific
situation and concerns

Be an integral part of the
evidence that will
inform new regulation

Proactively engage with
us on how to monitor
the market

Sent to domestic suppliers with > 100,000 customers and to non-domestic suppliers with >1% market share in volume terms

EBSCR Update

- We rejected P304 (November 2014) – reduction to PAR250
 - listening to concerns of small suppliers
 - in particular regarding absence of a single price
- At the same time we re-iterated our commitment to P305
 - Addresses deficiencies in cash-out arrangements
 - Accommodates views expressed by suppliers in design
 - Next steps
 - BSC Panel final decision March
 - Authority final decision March/April
 - Implementation
 - November 2015 – 1st phase
 - November 2018 – Final phase

DECC Quick Policy Updates (1)

- Strategy and Policy Statement
- EMR
- Smart Meters
- Credit and Collateral

DECC Quick Policy Updates (2)

- QR codes
- Warm Homes Discount Consultation Decision
- Switching campaign
- Vulnerable consumers group
- Election Purdah

Engagement Update (Ofgem and DECC)

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Ofgem Engagement Update (1)

- Website – due February. We look forward to your feedback
- LinkedIn Group – delayed. Awaiting recruitment of New Social Media Manager
- Impact Assessment Toolkit – tying in with other processes and initiatives within Ofgem, still in progress
- Changes made to Ofgem’s internal Easy Guide to Consultations to better consider Independent Suppliers
- New templates (below) will be trialled for consultations featuring table detailing who should read these

Who is affected?

Stakeholders	How
Independent energy suppliers	This action plan aims to reduce barriers to entry and growth for independent energy suppliers.
Energy consumers	Improved competition and innovation in the energy market will create better offers and service for all consumers.

Ofgem Engagement Update (2)

- Newsletters – first issue after this forum
- Forums – your continued feedback is appreciated
- Bilateral meetings – we’ve been pleased to see some of you. Please let us know if you’d like a meeting
- Onboarding pack for E-serve schemes being developed – will be available on the webpage when complete
- Contact detail updates – please continue keeping us updated. Ofgem has various initiatives for dealing with data at present, so we are finding a system which works best

DECC Engagement Update

- Impact assessment toolkit launched
- Document template pilot completed
- Independent supplier webpage launched
- Bilaterals and site visits

AOB/General Discussion

Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.