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Ofgem
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Dear Andrew,

Forward Work Programme 2015-16

Citizens Advice is grateful for the opportunity to respond to the consultation on Ofgem's Forward Work Programme for 2015-16. This submission is entirely non-confidential and may be published on your website.

At a time of rising concern around the cost of energy bills, we welcome Ofgem's stated strategic direction and overarching aim to minimise direct and indirect costs imposed on consumers and the industry over the next year.

In general terms, we support the six outputs of; Regulation, Competition, Standards, Partnership, Confidence and Efficiency. However, we suggest these priorities are revisited as necessary following publication of the Government's Strategy and Policy Statement, to sense check that they support one another's aims.

As the statutory energy watchdog, we will complement and challenge Ofgem's work with reference to our own working principles of affordability, accessibility, safety and fairness for consumers.

This response addresses particular areas in which we believe we can support the work of Ofgem and how we believe market reforms can best be framed to ensure that the benefits extend to as many consumers as possible.

Securing Benefits for Vulnerable Consumers

Given our remit to reduce detriment to vulnerable energy consumers, which we carry out through various activities such as our Fair Play for Prepay Campaign, and our advocacy of an extra help scheme around smart meter installation and improved tariff options for poorer households, Citizens Advice is very interested in Ofgem's work around its vulnerability strategy.

We understand that additional development of this strategy coincides with a similar exercise from Ofwat, the water regulator, so would suggest that their progress is synergised and the same principles used to inform both. This will deliver the dual benefits of simplifying the process for identifying new groups who may be in need of extra help, and avoiding expensive parallel processes within the respective regulators. It will also mean that the collective experience of the utility sector can be shared for the mutual benefit of consumers. In our response to Ofgem's work programme for 2014-15 we called for regulators to work more closely on vulnerability issues, co-ordinating the growth of strategies for vulnerable water and energy customers represents an excellent opportunity to make that goal a reality.

One of the biggest challenges for the energy sector in the coming years will be to change the way consumers think about and use energy in order to facilitate a more flexible, smarter system. It is crucial that the Smart Meter Rollout, which will enable much of this desired behavioural change, proceeds in a way that secures benefits for vulnerable consumers. Therefore, we have called on the Government, Ofgem and energy suppliers to develop and pilot a Smart Meter Extra Help Scheme¹, which would ensure programme engagement in hard to reach audiences and help consumers across the piece become aware of how they can benefit from smart technology. Socialising the benefits, as well as the costs, of smart meters will be crucial to ensuring vulnerable people are able to secure a fair deal on their energy into the future.

We are pleased to note that Ofgem will be undertaking some activity on vulnerability and prepayment over the next year. In recent months Citizens Advice has been campaigning on a better deal for prepayment through our 'Fair Play for Prepay' campaign. Prepay users, often some of society's most vulnerable people, currently get an expensive, second class service from suppliers so we welcome any reforms aimed at changing that situation and will look to assist Ofgem's programme wherever possible.

Infrastructure & Wider Affordability

Citizens Advice is worried about the cumulative effect on consumers of charges for new and upgraded infrastructure across different UK industries including transport, water and energy.

We are particularly concerned that there is currently no clear accountability for this issue in Government, so the overall effect of infrastructure investment on consumer bills goes uncalculated and uncommunicated. Whilst not solely responsible for associated costs, energy is a key factor so we would like to see Ofgem push the idea of more collaboration at a strategic level on how different investment decisions affect overall affordability of key household bills. Ofgem could take a leading role in scrutinising this issue by raising it through the UK Regulators Network (UKRN); it could also encourage the Government to undertake an assessment to establish the costs borne by consumers.

On a related matter, we urge Ofgem to take a proactive role in commenting on matters related to detriment in energy markets but not directly in its purview. This work programme mainly concerns competition issues but we believe that Ofgem also has an important part to play in advocating measures such as improved energy efficiency, which receives only one mention. Ofgem should also take a view on measures that create consequential improvements for consumers' ability to manage their energy, such as access to bank accounts and better tenancy agreements. Ofgem has a valuable voice to bring to such debates, even if it does not hold control over the relevant governance.

¹ See our website for more detailed information concerning our call for a Smart Meter Extra Help Scheme: http://www.citizensadvice.org.uk/index/policy/policy_publications/er_fuel_water_post_digital_telecoms/developing_an_extra_help_scheme_for_vulnerable_smart_meter_customers.htm

Supporting Consumer Journeys

Citizens Advice was encouraged by the recent reforms announced by Ofgem to its Confidence Code for switching, in particular the positive step of making it more difficult for price comparison websites to hide deals from consumers. However, we still believe there is some way to go in improving the Third Party Intermediary (TPI) market, both for domestic and business customers, so are pleased this will be investigated in more depth.

In order to resolve issues with TPIs, we would like to see an Ofgem-run accreditation scheme for TPIs accompanied by a new license requirement on suppliers that oblige them to only deal with accredited providers. We believe that this approach will deliver the best outcomes for domestic and business consumers.

We are also pleased that Ofgem is working with other regulators, through UKRN, to ensure there is a joined approach to the regulation and accreditation of TPIs operating in different sectors. The UKRN could be a useful starting platform to explore ways of jointly increasing consumer awareness with other regulators operating TPI accreditation in different sectors. As part of this, we would advocate the development of a more recognisable 'kitemark' to be used across different sectors to help increase consumer understanding of the benefits of using an accredited TPI.

More generally, we are keen for Ofgem to undertake some work on customer journeys and consumer redress this year. At present, the landscape of redress for poor energy services and information sources for energy advice are disparate and therefore potentially confusing for consumers. As a way of enabling debate on these matters, Citizens Advice is currently undertaking an investigation into how these functions can be shaped to work more in the consumer interest. We are also undertaking audits of supplier bills and websites to establish whether signposts to third party advice and redress are sufficiently accessible for consumers. We will seek to open a dialogue with Ofgem on these issues once our findings have been published.

Over recent years, we have been increasingly frustrated by the existence of overlapping Government-led energy efficiency and consumer energy advice schemes throughout Great Britain. We would like Ofgem to promote the benefits of more genuine GB-wide working on these matters. This would give the dual benefit of ensuring that preparation for different schemes delivering similar goals are not unnecessarily duplicated, and that information on which interventions work best for energy saving and consumer engagement can be shared across populations.

Energy Networks and Reportage

We welcome Ofgem's plans to introduce greater scrutiny of networks in terms of how they handle consumer complaints and ensure they deliver their functions efficiently.

We do however believe that there is a transparency and accountability 'gap' in respect of gas and electricity networks in the UK that must be addressed by Ofgem to ensure that the new RIIO framework achieves its objective of delivering more inclusive, consumer-centric monopoly regulation. As it stands, it is difficult, if not impossible, for consumers (and indeed the groups that represent them and other stakeholders) to access and understand the information they need to judge the value for money of the services the networks are providing. To address this, we suggest that Ofgem develop and issue guidance on performance reporting to networks during 2015/16 to complement the work it is already undertaking to improve other aspects of the regulatory reporting framework. We believe this guidance should help deliver reports that reflect the following five principals;

1. Findable - Reports should be disseminated as part of stakeholder engagement activities, and even more importantly, they should be prominent on both the networks' and Ofgem's websites. It should be easy to stumble across them by accident.
2. Simple - The whole of public reports should be understandable by non-specialist readers, not only a section at the beginning. Where detail is omitted for the sake of simplicity, there should be a hyperlink to where this detail is explained more fully.
3. Comparable - Standardisation of form and content, links from one report to another and comparative tables should be used to make it easy to compare networks of the same kind, and ideally those of different kinds, perhaps even in different regulated sectors.
4. Non-whitewash - Reports should give an exhaustive and unbiased account of network performance that clearly links outputs to returns. If things haven't gone to plan, it shouldn't take specialist knowledge to spot that this is the case.
5. Timely - Reports should be at regular, frequent intervals (at least yearly) and should not be allowed to lapse. Where necessary their publication should respond to circumstantial requirements e.g. reports should always be available well in advance of a new price control determination.

Industry governance

In our view, the advent of new European Network Codes, and the increasing concerns that the current fragmented and complex code governance framework is not keeping pace with the pace of technological and market change, means the time is right to review the UK's code governance arrangements. This review would consider, among other things, whether there is a case for consolidation and simplification and whether the code objectives should be brought into line with Ofgem's legislative duties.

Finally, we would urge that, in light of the comprehensive review of the GB energy market currently being undertaken by the Competition and Markets Authority (CMA), Ofgem builds some flexibility into its planning for the next period. This will be important to ensure a timely response to key recommendations from the CMA, and any changes to the market that may be required as a consequence.

Thank you once again for the opportunity to respond to this consultation, Citizens Advice looks forward to continuing to work closely with Ofgem throughout 2015-16. Should you require any further clarification or explanation on any of the points raised in this response, please do not hesitate to contact me.

Yours sincerely,

Daniel Walker-Nolan
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Citizens Advice