



By email only

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Dear Andrew

Ofgem's Corporate Strategy and Forward Work Programme 2015-16

This response is made on behalf of npower's retail business. We welcome the opportunity to comment on Ofgem's draft Forward Work Programme for 2015-16 and on its Corporate Strategy. Your strategy event held on 22 January was helpful in putting both into context.

It is convenient to have in one place a summary of the issues you will be addressing in the coming year together with the timings. This will help with our planning for the year. However, we would welcome further information around the more detailed timing of the decisions involved.

Below we pick out a few of the key themes for comment; but of course this does not underestimate the importance of the remainder of the items.

Effective Competition

We welcome the intention to promote effective competition in networks in order to drive down costs. Network charges are a significant contributor to the size of customers' bills and therefore anything that can be done to reduce both will be welcome. An important element of this is to ensure that the market is properly prepared for any changes to network company revenues. This is especially true for the immediate year, as short term volatility increases risk within the market, harming competition and potentially increasing costs for consumers of all types.

We note that later this year Ofgem intends to review the impact of recent retail market reforms. The drafting of the RMR licence conditions has some challenges in mapping to Ofgem's policy intention. This leaves suppliers with uncertainty as to whether some products are allowed or disallowed. We would welcome active dialogue with Ofgem during product development so that suppliers do not design products only to find them disallowed at a late stage.

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Standards of conduct

We have embraced the introduction of the Standards, embedding them into both our domestic and non-domestic businesses. npower's staff have been trained appropriately and they subscribe fully to the new arrangements. In spite of this, principles based regulation can be problematic when coupled with the current enforcement arrangements. The latter enable Ofgem to act as judge and jury, with an absence of proportionate appeal; there is nothing to encourage the balancing of independence with objectivity. We would urge Ofgem to adopt a more collaborative approach, including providing an advice function.

Consumer protection, consumer vulnerability, customer service

As you know, we have succeeded through hard work in improving our customer service and complaint handling. We continue to concentrate on that.

We will continue to work with Ofgem and the industry to achieve an agreed solution for credit balances on closed accounts; to support vulnerable customers and Ofgem's strategy; and to speed up switching.

As you may be aware, there is considerable work already taking place between suppliers and network providers regarding the greater sharing of information about vulnerable customers. We look forward to receiving Ofgem's further thoughts on its Priority Services Register review, which is providing the framework for this project, recognising that parties will use data in different ways: suppliers to provide additional services; network providers primarily to mitigate the impact of supply interruptions.

Third Party Intermediaries (TPIs)

We support the strengthening of controls in relation to the Confidence Code, which is key to protecting the interests of consumers, and its extension in reach and profile. We note from the recent decision in relation to the Confidence Code that Ofgem intends to set out in the spring its next steps in relation to face-to face-selling. We hope that this matter can be resolved quickly in order to provide clarity for suppliers and adequate protection for customers.

We have also been working with Ofgem and the industry on the non-domestic TPI Code of Practice. The Code is important for the protection of non-domestic customers and in particular micro businesses. We support the concept of a single code of practice for TPIs working in the non-domestic market and a regulatory regime that will provide high standards of working. Our preferred option would be for Ofgem to manage the code but we support the proposal that the code be overseen by an independent body; it must operate independently to promote transparency and confidence in TPIs. Therefore, all suppliers must be required through licence to use only TPIs accredited to the code. Ofgem should accelerate the introduction of the code and the delivery of the governance and monitoring structure.

Smart meter rollout

We recognise the need to monitor the smart metering implementation activities to ensure progress and the success of the Programme; and to monitor compliance

and the impact of rollout on consumers and the retail market. We support the cost-effective collection of unambiguous data to help in that process.

At the same time, Ofgem must recognise the challenges that will be faced by suppliers and the role it should play in assisting and advising them during the process of programme managing the rollout. An inability to meet a target may not indicate a lack of effort; and Ofgem acting as a 'critical friend' would be more effective and provide a better experience for consumers than promoting a rush to install at all costs. This is the biggest large-scale utility project since the switch to north sea gas forty-five years ago. The roll-out has the potential to bring significant benefits for customers and suppliers; and therefore it is important that this continues as a well-managed, discrete programme.

We would also ask Ofgem to ensure that its focus on other issues during the rollout is measured, appropriate and in line with Better Regulation, given the magnitude of the smart work to be undertaken. This would also include decisions on the timing of industry and regulatory changes.

Trust and confidence

We clearly want consumers to have trust and confidence in the industry. Part of that will be achieved through Ofgem's promotion of transparency and through regulation; and part through suppliers' work to improve customer service and reduce prices. There is scope for Ofgem and suppliers to work together to improve matters and more could be made of this in the Forward Work Plan. Indeed, that could be the first step to promoting a relationship at an organisational level which is more positive and beneficial for consumers. At present, we feel that Ofgem is slow to promote the many good things done by suppliers and the many positive experiences of our customers. It must play its part in building trust in the industry, including by ensuring that its comments and publications are measured and accurate; and not for example by representing the SMI as an accurate indicator of supply company profits.

At the same time, we would welcome more transparency from Ofgem in relation to its decision making process, particularly in respect of industry changes. Ofgem's work and its actions in relation to industry modifications often remain invisible to the industry; for example, the open letter on the way forward for Smarter Markets Settlements Reform was due in December but was delayed until the end of January with no explanation as to why. Unexplained delays are quite a common occurrence.

Deliverables

We note the range of key issues to be addressed by Ofgem over the coming year. We would ask for speed in decision making and where appropriate for sound business cases that follow and are based on adequate customer research.

I hope these comments will be helpful. If you wish further explanation in relation to any of them please contact me.

Yours sincerely

Gerald Jago
Regulation