

## Note of Ofgem-DECC Independent Supplier Forum 6 July 2015

This is a note of the forum held by Ogem and DECC, at the BIS Conference Centre 6 July 2015.	From	Adam Cooper (Ofgem) and Rachel Crisp (DECC)
	To	Independent Suppliers
	Date	22 July 2015

Below we set out the agenda items and any relevant points to note which are not featured in the slide pack. This slide pack can be found on both Ofgem's and DECC's websites.

Agenda Item	Notes
<b>Government priorities</b>  <b>Rachel Crisp (DECC)</b>	<p>Rachel outlined the new Government's priorities, noting that there is particular emphasis on security of supply for both gas and electricity. Ministers are also focused on improving competition in all sectors of the energy market</p>
<b>Retail Market Priorities</b>  <b>Future Regulation</b>  <b>Neil Barnes (Ofgem)</b> <a href="mailto:Neil.barnes@ofgem.gov.uk">Neil.barnes@ofgem.gov.uk</a>	<p>Neil described the priorities of the Retail Markets Division at Ofgem and how these fit in with Ofgem's wider priorities. The following points were made:</p> <ul style="list-style-type: none"> <li>• A big focus for Retail Markets is competition, which is especially poignant with the publication of the CMA report on 7 July 2015. Ofgem will be working with the CMA to ensure any suggested remedies are well defined. Ofgem's door is open to suppliers to discuss anything from the CMA.</li> <li>• Retail Markets will also focus on new entrants and supporting those businesses who want to expand in the market.</li> <li>• Ofgem has a smaller budget this year, so are able to do less. This means more prioritisation of work.</li> <li>• Vanessa Sturman (Ofgem) mentioned that the Smarter Markets Coordination Group has disbanded, being replaced with more focussed project working groups. Ofgem is aware these working groups may be harder for suppliers to attend so has asked for any feedback on how they would like to be updated. Please direct feedback to <a href="mailto:Vanessa.sturman@ofgem.gov.uk">Vanessa.sturman@ofgem.gov.uk</a></li> </ul> <p>Neil outlined Ofgem's thinking on Future Regulation. The following points were made:</p> <ul style="list-style-type: none"> <li>• Ofgem wants to move to a greater reliance on principles, however still sees a role for prescription in certain areas eg interoperability.</li> </ul>

	<ul style="list-style-type: none"> <li>• Ofgem is aware the supply licence is long, complex and may be stifling innovation.</li> <li>• Want to engage stakeholders at every point and make this a collaborative approach. Very much at the early stages of thinking and very keen for dialogue.</li> <li>• Ofgem is looking to hold the Standards of Conduct Challenge Panel for a second year and will be in touch on its plans over Summer.</li> </ul>
<b>Switching programme</b>  <b>Andrew Wallace (Ofgem)</b>  <a href="mailto:Andrew.Wallace@ofgem.gov.uk">Andrew.Wallace@ofgem.gov.uk</a>	<p>Andrew outlined progress with the switching programme and set out next steps. The following points were made:</p> <ul style="list-style-type: none"> <li>• Next day switching was a manifesto commitment by the new Government.</li> <li>• Ofgem will consider whether 2 day switching will deliver better outcomes for consumers.</li> <li>• Ofgem is aiming to shape the future work programme around other work areas, such as Project Nexus and Smart Metering, that industry is engaged in. Hence the working groups for the various work streams are not due to begin until later this year.</li> <li>• Ofgem was updating the Target Operating Model in light of consultation responses.</li> <li>• Ofgem will publish a revised Target Operating Model later this year. It will include an additional section on the consumer journey.</li> <li>• Consumer groups will be invited to join the work groups.</li> <li>• Energy UK are leading work on how the cooling off period for domestic consumers can be accommodated within next day switching and on developing a switching guarantee (similar to the current account switching guarantee in banking). All suppliers are welcome to get involved regardless of whether they are Energy UK members.</li> <li>• Independent suppliers are unlikely to have the capacity to engage in the working groups. Ofgem will consider how to the use Independent Supplier Forum so that suppliers can engage and help to shape the programme.</li> </ul>
<b>Code administrators' critical friend role</b>  <b>Rory Edwards (Ofgem)</b>  <a href="mailto:Rory.P.Edwards@ofgem.gov.uk">Rory.P.Edwards@ofgem.gov.uk</a>	<p>Rory outlined the role Code Administrators (CAs) should play with suppliers. The following points were made:</p> <ul style="list-style-type: none"> <li>• Suppliers should feedback any ideas to Ofgem of how the code modification process can be improved to make it easier for their group to engage.</li> <li>• CAs should act in line with CAs' Code of Practice (CACoP) which contains 12 principles (soon to be 13) for CAs, one being that they should act as a Critical Friend.</li> </ul>

	<ul style="list-style-type: none"> <li>• Consultation (closed 26 June 2015) found that lack of awareness of the CAs' role as well as too much divergence on how each CA approached the role, contributed to why it did not work properly.</li> <li>• Ofgem will be holding industry workshops on 22 July 2015 to research this issue further.</li> <li>• Rory urged suppliers to utilise CA's in their roles as Critical Friends. Suppliers are also urged to feedback to Ofgem on the CAs' performance in this space.</li> <li>• A participant mentioned a cross-code group Elexon used to run for electricity codes, which they found very helpful. Please can suppliers feedback to Ofgem if they have any other thoughts.</li> <li>• Other suggestions from suppliers at the forum included controlling the volume of information coming from codes which is hard to manage, more introductory courses to codes for suppliers, more concrete actions from CACoP needed and CAs should make all information accessible (as opposed to restricted by password access).</li> </ul>
<p><b>CFD supplier obligation</b></p> <p><b>Darryl Ablescroft (DECC)</b></p> <p><a href="mailto:darryl.ablescroft@decc.gsi.gov.uk">darryl.ablescroft@decc.gsi.gov.uk</a></p>	<p>Darryl presented some initial options on improving the efficiency of the design of the CFD supplier obligation and transparency in relation to costs. The following points were made:</p> <ul style="list-style-type: none"> <li>• This is an opportunity for suppliers to feed into DECC's early thinking. Final proposals are subject to ministerial and cross Whitehall clearance.</li> <li>• Current thinking is that DECC will consult on proposals in autumn and subject to consultation responses, legislation would be laid in January 2016 with the new arrangements coming into effect by April 2016.</li> <li>• Proposed changes to the CFD supplier obligation include: <ul style="list-style-type: none"> <li>➢ Calculating the Interim Levy Rate on suppliers' accrued liabilities, which should reduce the Total Reserve Amount;</li> <li>➢ Bringing forward reconciliation payments;</li> <li>➢ Removing a requirement on the LCCC to give notice when reducing the Interim Levy Rate and the Total Reserve Amount. The notice period, however, will remain for increases.</li> <li>➢ LCCC has announced it will issue forecasts of the Interim Levy Rate and the Total Reserve Amount for three additional quarters.</li> </ul> </li> <li>• Supply volume variations and the resultant requirement to reconcile costs for ten quarters was cited as a concern by one supplier. DECC agreed to</li> </ul>

	consider this further.
<b>Smart Energy Code arrangements</b>  <b>David Barber and Natalia Sandomierska (Gemserv)</b>  <a href="mailto:David.Barber@gemserv.com">David.Barber@gemserv.com</a> <a href="mailto:Natalia.Sandomierska@gemserv.com">Natalia.Sandomierska@gemserv.com</a>	<p>Gemserv presented on the Smart Energy Code (SEC) Arrangements and how suppliers can increase their engagement in this area. The following points were made:</p> <ul style="list-style-type: none"> <li>• The Smart Energy Code Administrator and Secretariat (SECAS) will be holding a seminar 23 July 2015 on the overview of the SEC.</li> <li>• More smaller suppliers need to be represented on the SEC Sub-Committees, eg Technical Sub-Committee (TSC).</li> <li>• The SEC is a industry self-governed Code with oversight from the Authority (under the enduring Smart Meter Programme (SMP) arrangements). The SEC has an associated SEC Panel and a SECCo Board. Panel activities include responding to consultations and corresponding with DECC and Ofgem.</li> <li>• Suppliers were urged to get involved as part of their licence requirements as well as the need to have all sizes and types of supplier represented on the SEC Panel and SECCo Board.</li> </ul>
<b>Non-traditional business models</b>  <b>Dr Jeff Hardy (Ofgem)</b>  <a href="mailto:DrJeffrey.Hardy@ofgem.gov.uk">DrJeffrey.Hardy@ofgem.gov.uk</a>	<p>Jeff set out the themes emerging from Ofgem's consultation on non-traditional business models. The following points were made:</p> <ul style="list-style-type: none"> <li>• Ofgem is keen to understand the range and potential of non-traditional business models to shake up the market and the extent to which they can benefit consumers.</li> <li>• Key themes emerging from the consultation are around: local energy systems, including local generation and supply; energy system flexibility including demand side response, energy storage (including heat storage); energy innovation, including how to create space for innovation in markets; flexibility of energy regulation, including principles based regulation; and consumer protection.</li> <li>• There are challenges for Ofgem as the current regulatory framework may not facilitate innovative business models. In some cases it may work against non-traditional business models. A more principles based approach to regulating may allow non-traditional businesses more room to develop.</li> <li>• Next step is for the summary of responses to the consultation to be published this summer.</li> </ul>
<b>Information requests</b>  <b>Mark Wagstaff (Ofgem)</b>	<p>Mark went over what Ofgem are doing to improve their approach to Information Requests (IRs) to reduce the resource burden they place on suppliers. The following points were made:</p>

<a href="mailto:Mark.Wagstaff@ofgem.gov.uk">Mark.Wagstaff@ofgem.gov.uk</a>	<ul style="list-style-type: none"> <li>• Ofgem will sometimes have to collect information more than once because some data cannot be shared.</li> <li>• It remains an issue that Ofgem does not always feedback on whether the information has made a difference or impacted on policy.</li> <li>• Ofgem has developed a new tool to manage information requests. Continued use of this tool should help staff to see if they are duplicating requests and how engagement can be improved.</li> <li>• Currently, DECC and other bodies are not able to share this tool with Ofgem. DECC is looking to develop something similar internally.</li> <li>• Ofgem colleagues have only just started using the tool and culture change is having to take place. Please do not hesitate to provide any feedback on IRs and the process going forward eg the cost of responding to IRs.</li> </ul>
<p><b>Priority Services Register review</b></p> <p><b>Bhavika Mithani (Ofgem)</b></p> <p><a href="mailto:Bhavika.Mithani@ofgem.gov.uk">Bhavika.Mithani@ofgem.gov.uk</a></p>	<p>Bhavika outlined the current Priority Services Register Provisions and the rationale for the review. She explained that a key objective is to ensure that more people are aware of and benefit from service. To this end Ofgem would be looking to companies to proactively identify, record and share vulnerable customers' data. The following points were made:</p> <ul style="list-style-type: none"> <li>• Ofgem confirmed that mental impairment would be included in the criteria for determining vulnerability, through industry-developed "needs codes".</li> <li>• Suppliers stated that customers may find it intrusive if suppliers are asking for personal data and may not be comfortable with it being shared.</li> <li>• Suppliers suggested that publicising the service centrally, rather than individual suppliers seeking to encourage take up may be more effective. This would also sit better with Ofgem's aim of single brand for the Register rather than each supplier adopting their own branding.</li> <li>• Price comparison sites may have a role in flagging the Priority Services Register to consumers.</li> <li>• Making the existence of the Priority Services Register known to care workers may also be an effective way of encouraging take up of the service.</li> <li>• Suppliers encouraged to contact Jo Giles (Chair of ENA Customer Safeguarding Working Group, <a href="mailto:Jo.Giles@nationalgrid.com">Jo.Giles@nationalgrid.com</a>) for discussion on "needs codes" which are currently under development. Draft version provided in PowerPoint slides.</li> </ul>
<p><b>Dealing with customers in debt</b></p> <p><b>Svitlana Voronkova</b></p>	<p>Svitlana presented what is expected of suppliers in this area. Dhara presented on how Citizens Advice helps vulnerable consumers. The following points were made in</p>

<p><b>(Ofgem)</b></p> <p><a href="mailto:Svitlana.Voronkova@ofgem.gov.uk">Svitlana.Voronkova@ofgem.gov.uk</a></p> <p><b>Dhara Vyas</b> <b>(Citizens Advice)</b></p> <p><a href="mailto:Dhara.vyas@citizensadvice.org.uk">Dhara.vyas@citizensadvice.org.uk</a></p>	<p>Svitlana's presentation:</p> <ul style="list-style-type: none"> <li>• Ofgem collects particular information in relation to suppliers' dealings with domestic customers within Social Obligations Reporting (SOR) on a quarterly and annual basis.</li> <li>• SOR data shows that higher levels of debt are taken on by customers of smaller suppliers than by customers of the Big Six, with consumers in the former also repaying debt at higher rates.</li> <li>• SLC 27.8 of the gas and electricity supply licences requires that suppliers must take all reasonable steps to ascertain customer's ability to pay when calculating debt repayment rates</li> <li>• Suppliers must stay aware of, and follow, Ofgem's 'Ability to Pay' principles when agreeing debt repayment arrangement with domestic customers.</li> </ul> <p>The following points were made in Dhara's presentation:</p> <ul style="list-style-type: none"> <li>• The Consumer Service is there to help and support all energy consumers - it refers consumers to the Extra Help Unit (EHU) which assists vulnerable consumers across Great Britain.</li> <li>• The EHU would like engagement with suppliers at an earlier stage, before there is an increase in complaints.</li> <li>• With the Consumer service they hold regular supplier liaison meetings with the industry and are also looking to review how these are run – please can suppliers give any feedback to Dhara.</li> <li>• The EHU's case load has been increasing for over a year, and one of the key themes has been the impact of welfare reform changes on household income (debt/ability to pay/disconnection/self disconnection).</li> <li>• EHU also helps non-domestic micro business consumers - who often are not aware they can be disconnected.</li> <li>• The EHU does not take 'referrals' from a supplier who does not know how to help its own customer: the onus should be on suppliers to form relationships with their consumers and make sure they get the help they require, whether that's by investing in trust funds, signposting and referring to debt charities/social services or giving energy efficiency advice.</li> </ul>
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