



Department
of Energy &
Climate Change

ofgem

Making a positive difference
for energy consumers

Independent Energy Supplier Forum

6 July 2015

Agenda

- 10:00** Tea and coffee
- 10:15** Introduction and welcome (Rachel Crisp - DECC)
- 10:20** New Government's priorities (Rachel Crisp - DECC)
- 10:30** Ofgem priorities (Neil Barnes - Ofgem)
 - Retail market priorities
 - Future regulation
- 10:55** Switching programme (Andrew Wallace – Ofgem)
- 11:25** Code Administrators' critical friend role (Rory Edwards – Ofgem)
- 11:55** CFD supplier obligation: technical changes to improve efficiency and transparency (Darryl Ablecroft - DECC)
- 12:15** Lunch

Agenda

- 13:00** Smart Meters: Smart Energy Code Panel activities – including independent supplier panel representation and SEC checklist guidance for becoming a DCC user (David Barber – Gemserv)
- 13:30** Non-traditional business models: consultation feedback and next steps (Jeff Hardy - Ofgem)
- 14:00** Ofgem information requests (Mark Wagstaff -Ofgem)
- 14:15** coffee
- 14.30** Priority Services Register review (Phil Sumner/Bhavika Mithani – Ofgem)
- 15:00** Dealing with domestic customers in debt (Svitlana Voronkova – Ofgem, Dhara Vyas– Citizens Advice)
- 15:30** AOB



Introduction and Welcome

Rachel Crisp and Adam Cooper

DECC



New Government's Priorities

Rachel Crisp

DECC

Retail Markets Priorities

Neil Barnes

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Consumer Outcomes



**Making a
Positive Difference
for Energy Consumers**

Regulation
of Monopolies
and Enabling
Markets



Efficiency and
Effectiveness



Partnership
with the
Government &
Stakeholders



Effective
Competition



High
Standards of
Outputs and
Protection



Trust and
Confidence



Ofgem Outputs

Our focus for 2015/16

Our role is **to supervise the operation and development of the retail market so that it delivers better outcomes for consumers.**

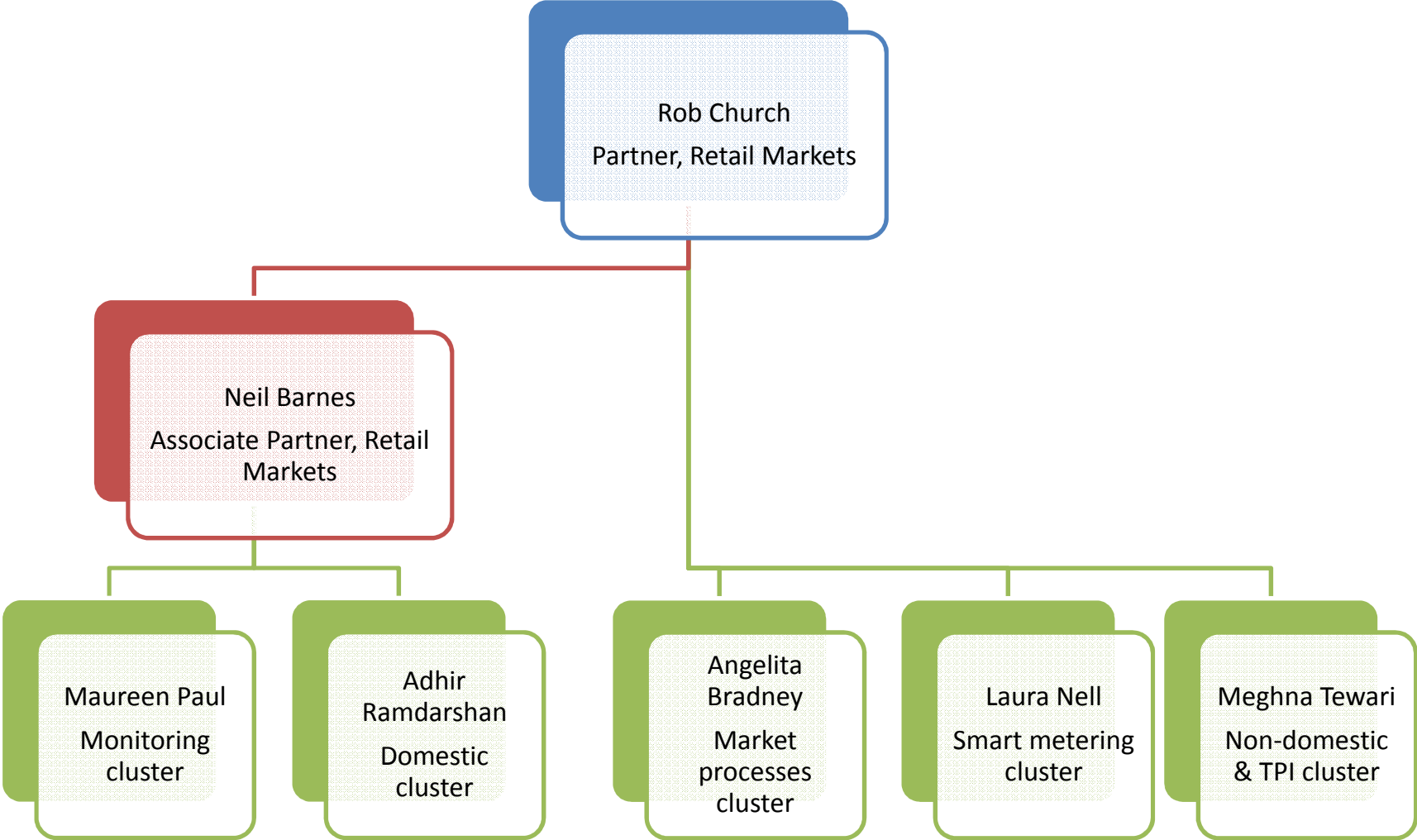
In doing this, we will:

- **maximise competitive pressure in the market**, by supporting new entrants, encouraging innovation and reviewing and improving our policies.
- **be the independent experts of the energy market**, with a real understanding of how the retail market is delivering lower prices and better quality of service and social outcomes.
- **manage our external environment** including by:
 - shaping new policies post-General Election so they maximise consumer benefits
 - supporting the CMA investigation and ensuring any remedies are implemented effectively.
- **help realise the benefits of smart meters for all energy consumers**, by ensuring the regulatory framework creates the right incentives on suppliers.
- **lay the foundations for moving to a more principles-based approach** to the regulation of the retail market.
- **be more efficient and effective**, prioritising our time so our direct and indirect costs on consumers are as low as possible and deliver maximum impact.

High-level work plan – as at July 2015

Q1	Q2	Q3	Q4
<ul style="list-style-type: none"> - White Labels decision - General Election preparations - Updated RMR derogations guidance - Gas PPM issue - Dry run of smart meter roll-out plans - Open letter on low and zero gas users 	<ul style="list-style-type: none"> - Retail Energy Market Report - Retail Market indicators launch - Consultations: <ul style="list-style-type: none"> - Smarter consumer protections - CSS guidance - Metering inspections regime 	<ul style="list-style-type: none"> - Non-domestic gas metering review findings - Consultations: <ul style="list-style-type: none"> - DCC price control - Principles based-regulation - SOC Challenge Panel - Non-domestic back-billing review 	<ul style="list-style-type: none"> - Deadline for final smarter meter roll-out plans - Faster switching programme work groups start - DCC price control decision - Decision on smart consumer protections
Ongoing monitoring and compliance activity			
RMR derogations and Code modifications			
CMA investigation process			
Independent supplier engagement			

Retail Markets leadership team



- In regulating the retail market we want to move to an increased reliance on principles over the next few years. This should lead to better consumer outcomes through more effective, comprehensive regulation.
- We are committed to supporting suppliers on this journey, with a view to ensuring all consumers can benefit from improved supplier practices.
 - We recognise this will present different challenges and opportunities for independent suppliers.
- We are currently scoping this work and undertaking stakeholder engagement. The views of Independent Suppliers are very important to us.
- There are many opportunities for you to engage. Please contact us if you're unable to come to the 7 July workshop and want to feed in your views.

Switching Programme Independent Supplier Forum

Andrew Wallace
6 July 2015

Andrew.Wallace@ofgem.gov.uk

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- Summary of proposals
- Update on how the programme will run and work this year
- Engagement and next steps

In January, your preference was to use these sessions to engage on the
Switching Programme

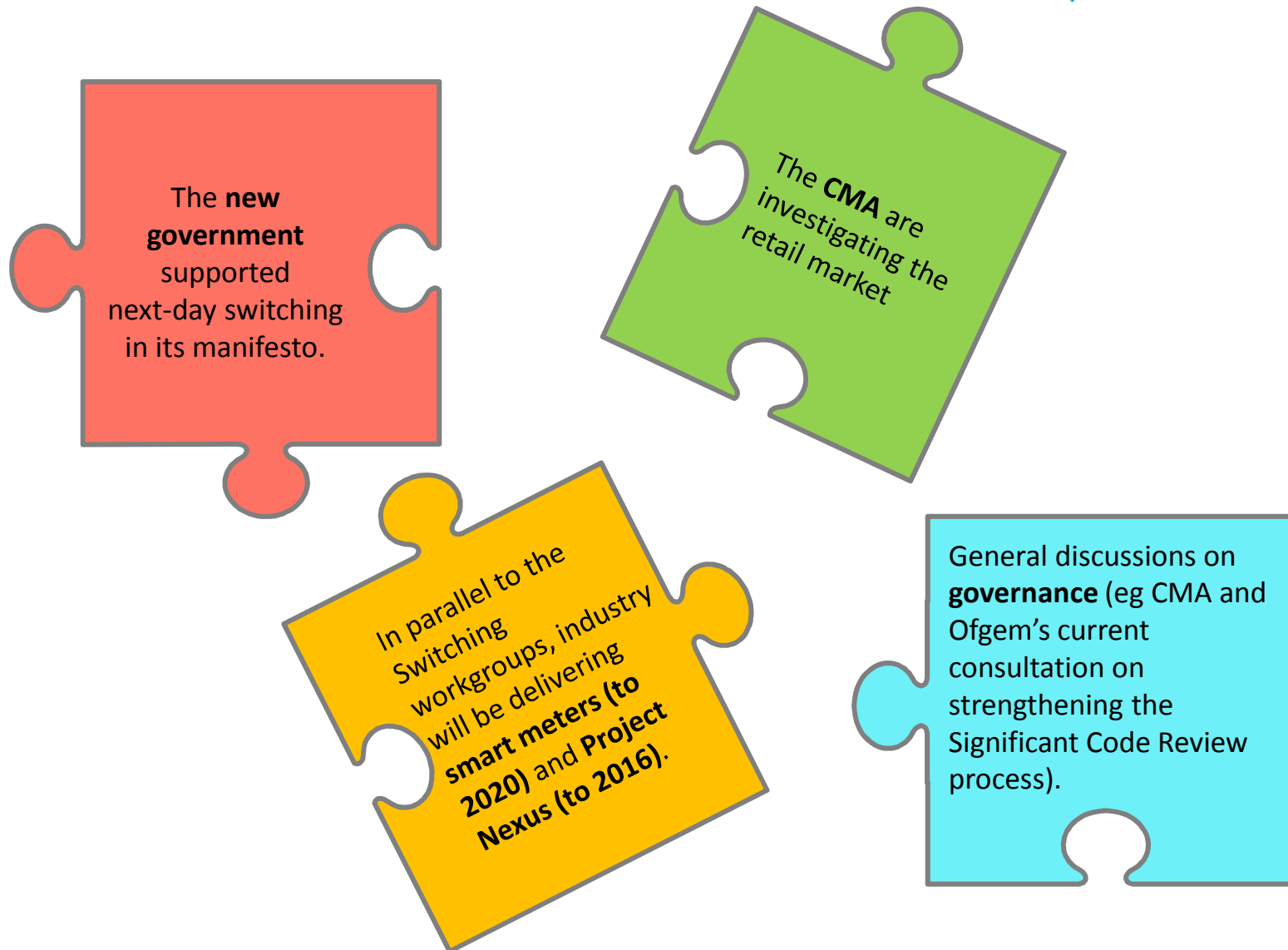
We want to check that this is still your view

In February we published our decision on moving to reliable next-day switching



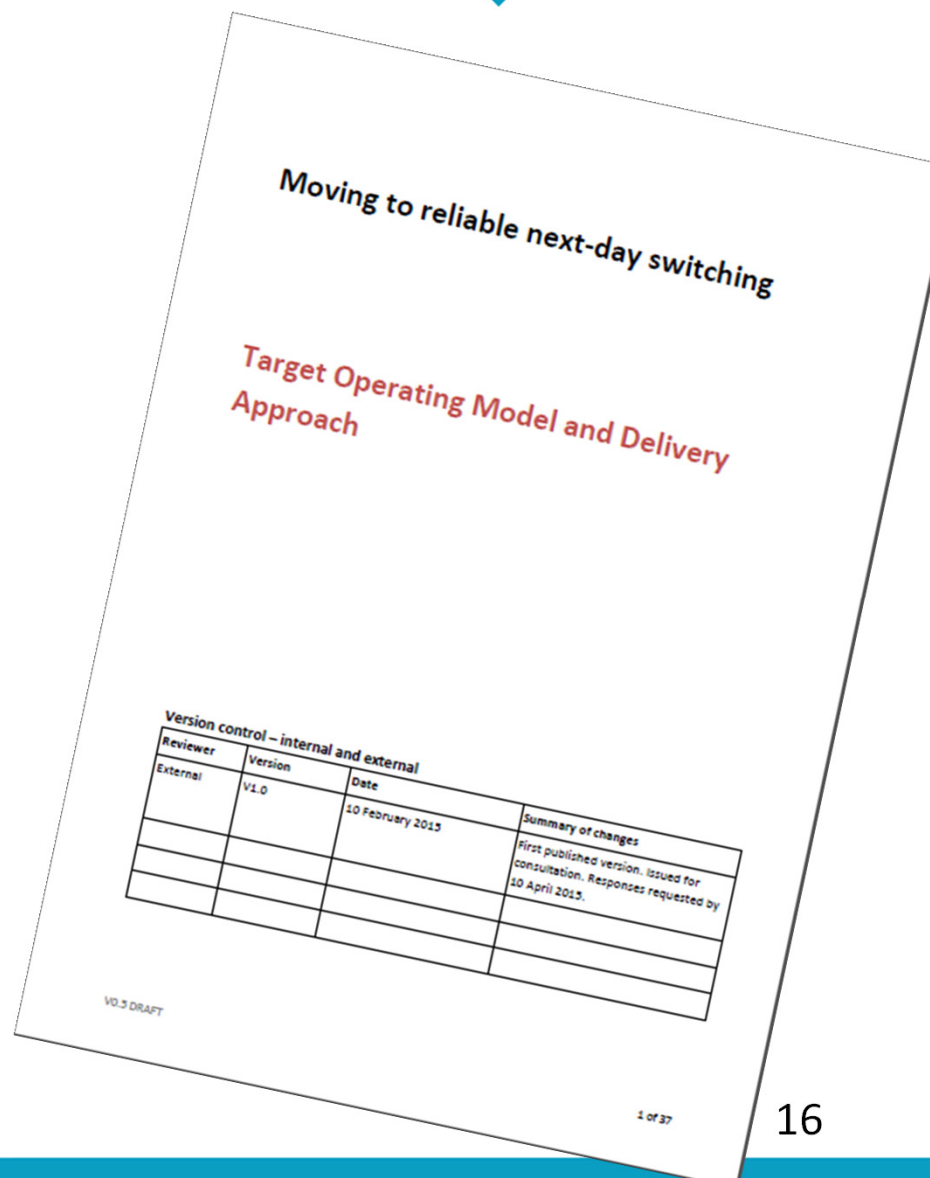
- We will introduce reliable next-day switching by 2019
- We will also examine if two-day switching provides a better outcome for consumers
- To be delivered on a new centralised registration service - managed by the DCC
- Switching rules will be set out in the SEC
- Ofgem will lead the switching programme

Some context and interactions that have a bearing on the Switching Programme



In February 2015 we consulted on a Target Operating Model (TOM)

- High level description of how the new switching arrangements will work
- Follows extensive engagement and consultation with the industry
- Act as a guide and reference document through the lifetime of the programme
- Important to have a clear and agreed understanding of the main requirements



Responses from a wide range of parties

	Respondents	Number
Suppliers	Big Six, Ecotricity, Ovo, Utilita	9
Networks	National Grid Gas Distribution, Northern Gas Networks, Wales and West Utilities, SGN, Electricity North West, UK Power Networks, Northern Powergrid, ENA	8
Consumer groups	Citizens Advice	1
Metering companies	CMAP, TMA	2
Other	Elexon, SEC Panel, MEC, DCC, Cornwall Energy, Laurasia, Vocalink, Ordnance Survey, Xoserve,	9
Confidential		3
	TOTAL	32

Main points raised on TOMv1

SCOPE

- Request for clarification and proposals for inclusion
- Eg switching for sites directly connected to transmission network

CLARIFICATIONS

- Request for clarification on roles and responsibilities
- Eg CRS role in settlement and network charging

SWITCHING SPEED

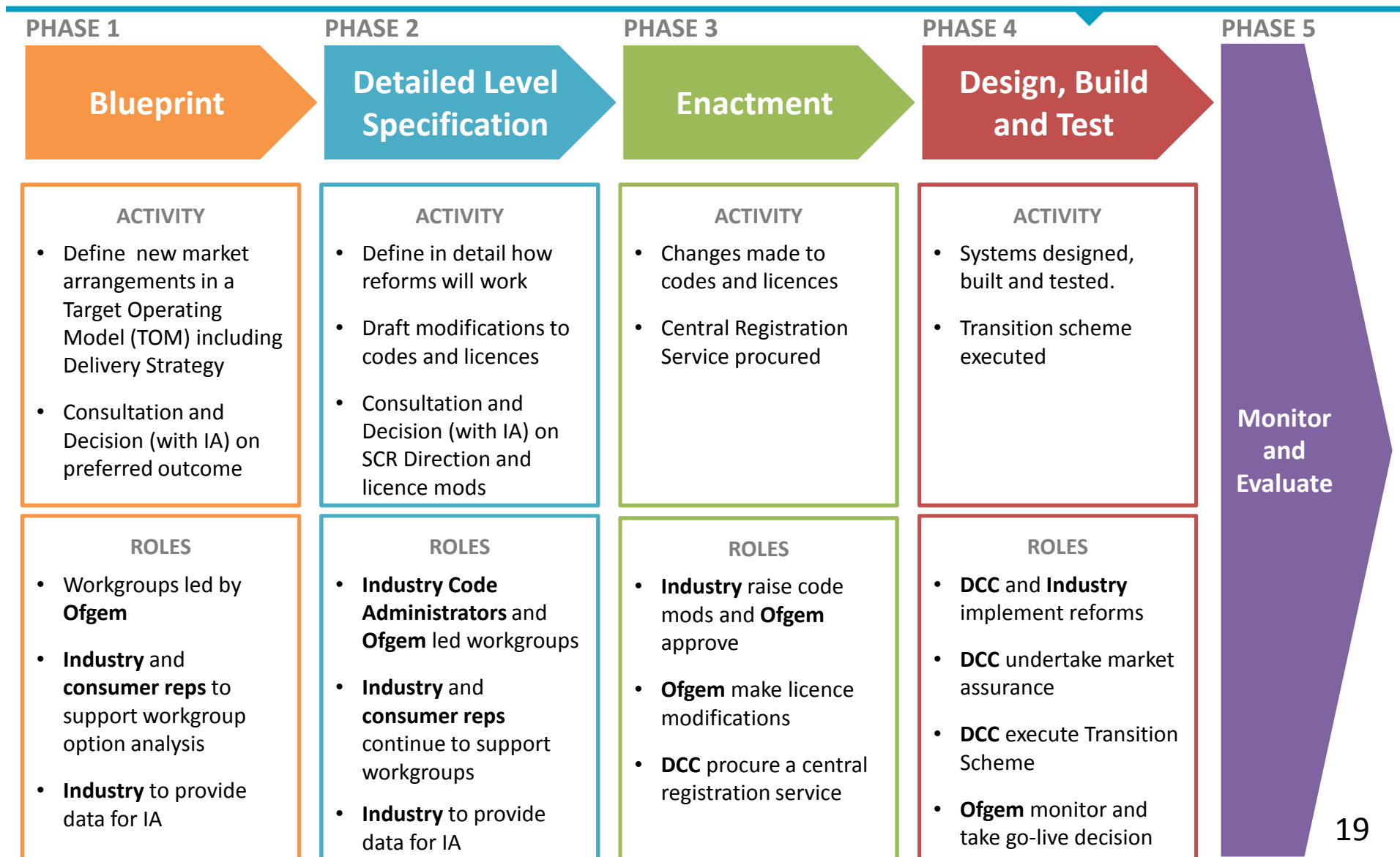
- Challenge Ofgem view that next-day switching promotes best consumer outcomes
- We will continue to review two-day

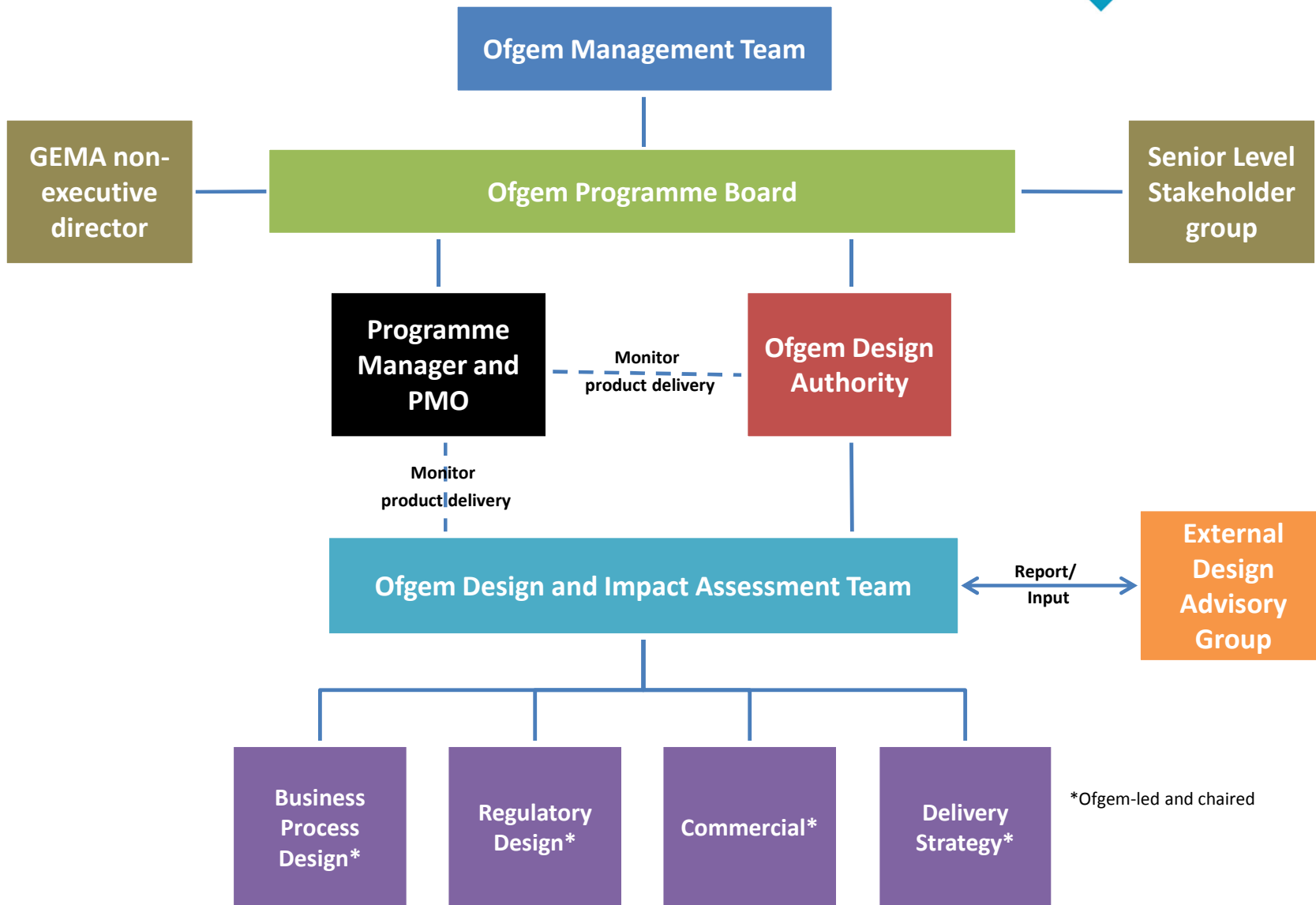
CONSUMER JOURNEY

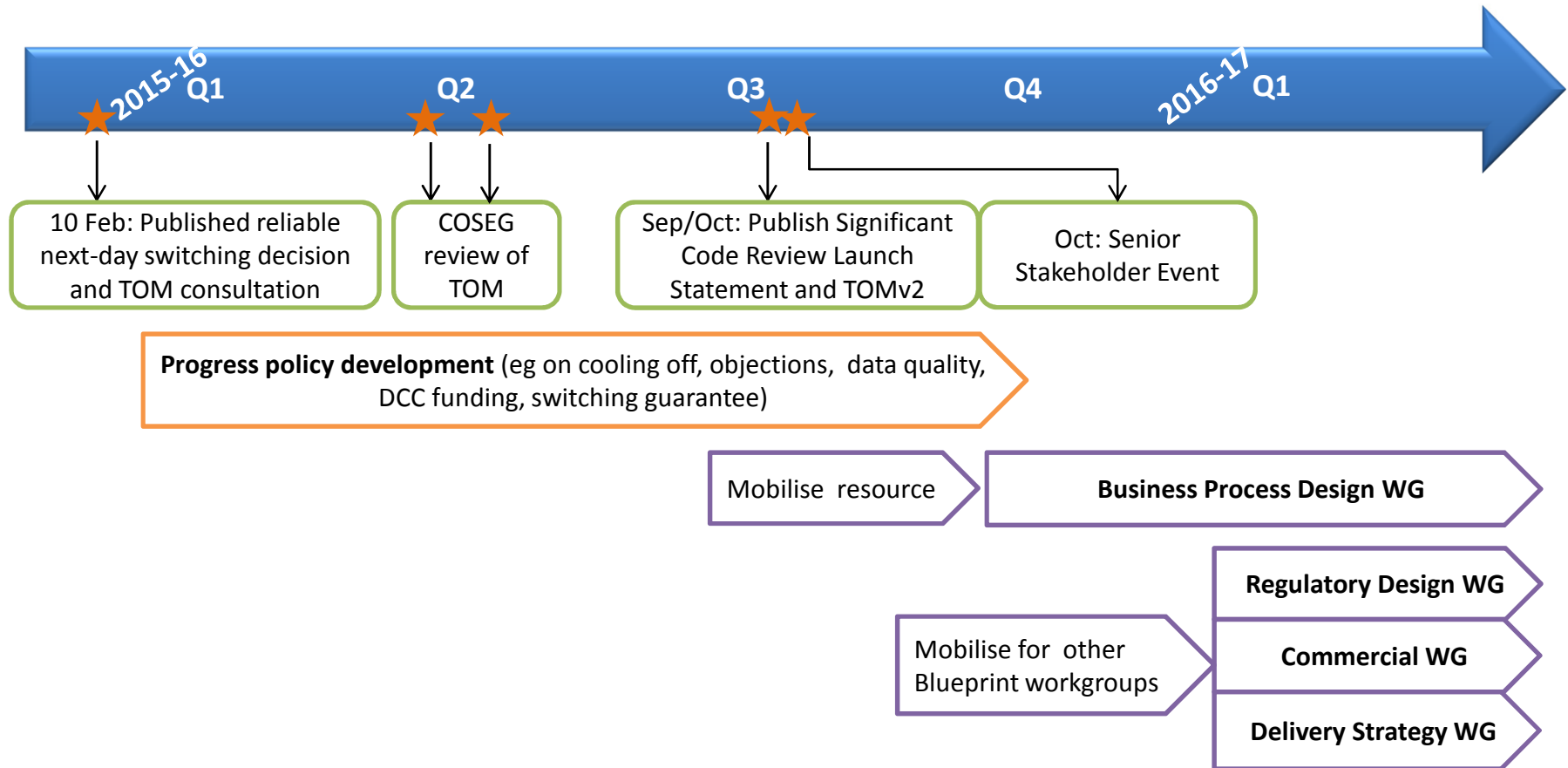
- What do our proposals mean for different consumer types and sales channels
- We will review with industry and incorporate in TOM

...TOMv2 will be published later this year

Ofgem to lead a phased programme







- This is going to be an intensive programme and we will work hard to make sure that we capture the views on independent suppliers
- We propose to:
 - Invite suppliers to sit on EDAG and workgroups
 - Provide updates at the Independent Supplier Forum
 - Provide updates at other forums eg Cornwall's Supplier Forum
 - Publish all meeting papers
- Welcome views on whether this meets your requirements?

Code Administrator's Critical Friend Role

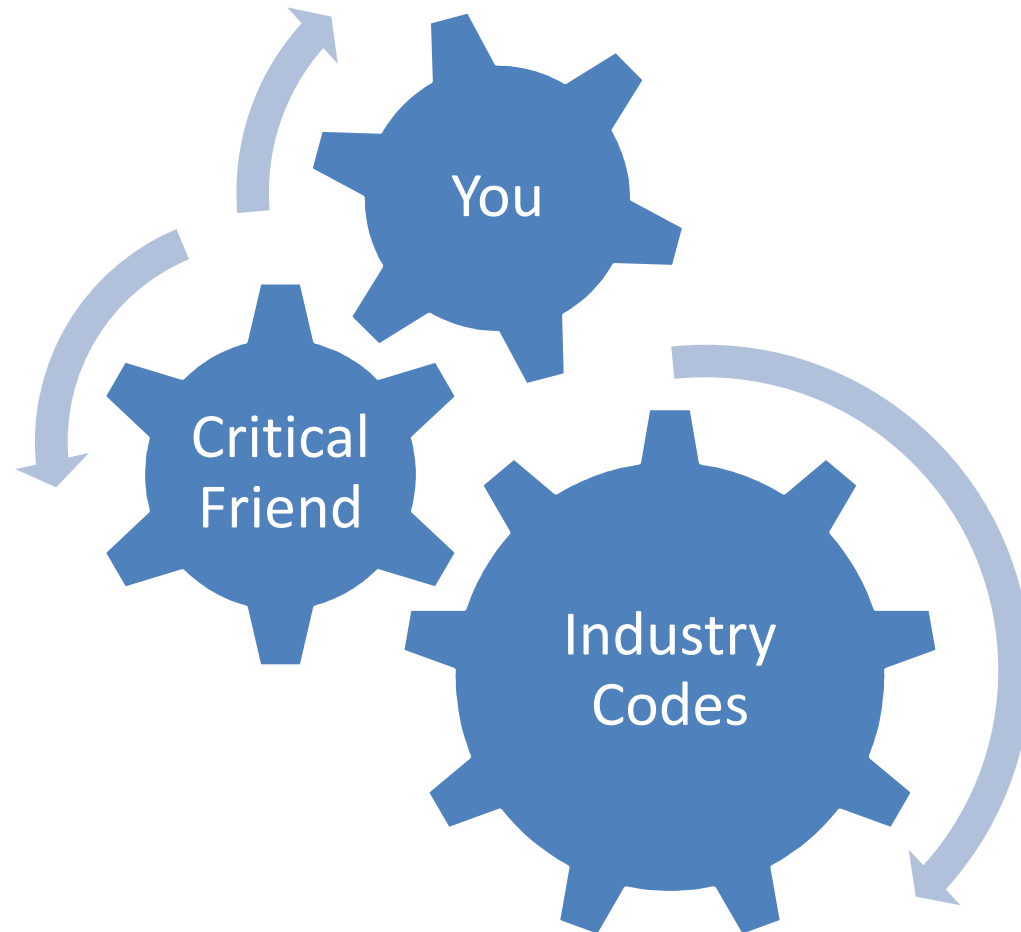
Rory P Edwards

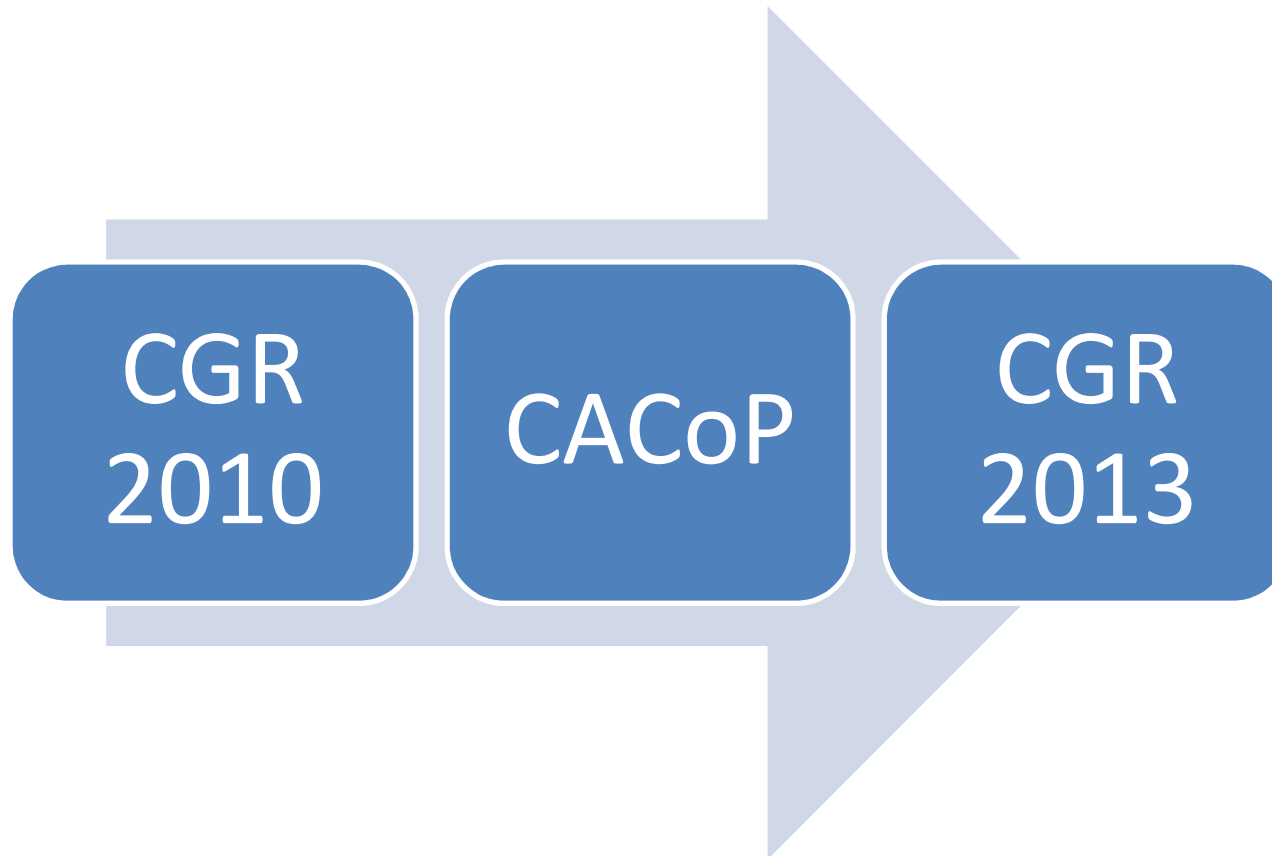
Rory.P.Edwards@ofgem.gov.uk

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Why is this important?





Code Administration Code of Practice

- A 'critical friend' is a Code Administrator who provides the support to all with an interest in the Code Modification process, but paying particular attention to under-represented parties, small market participants and consumer representatives.

Code Administration Code of Practice – Principle 1

Be available to
discuss issues and
mods

Provide easily
accessible
education on the
process

Contact parties
who have asked to
be when a mod
impacts their group

Articulate small
market participants
views at WGs and
Panel meetings

Hold
teleconference
meetings rather
than face-to-face

Raise mod issues
that are relevant to
small market
participants

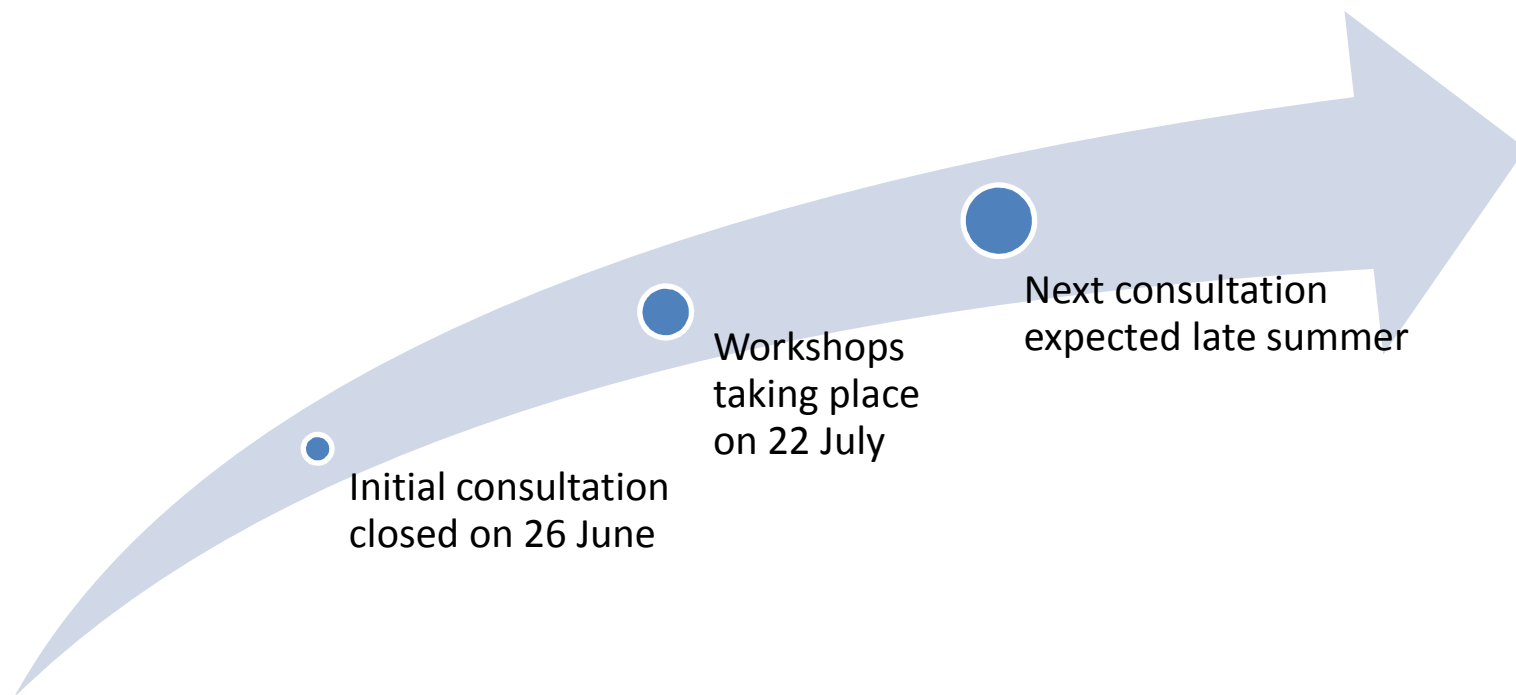
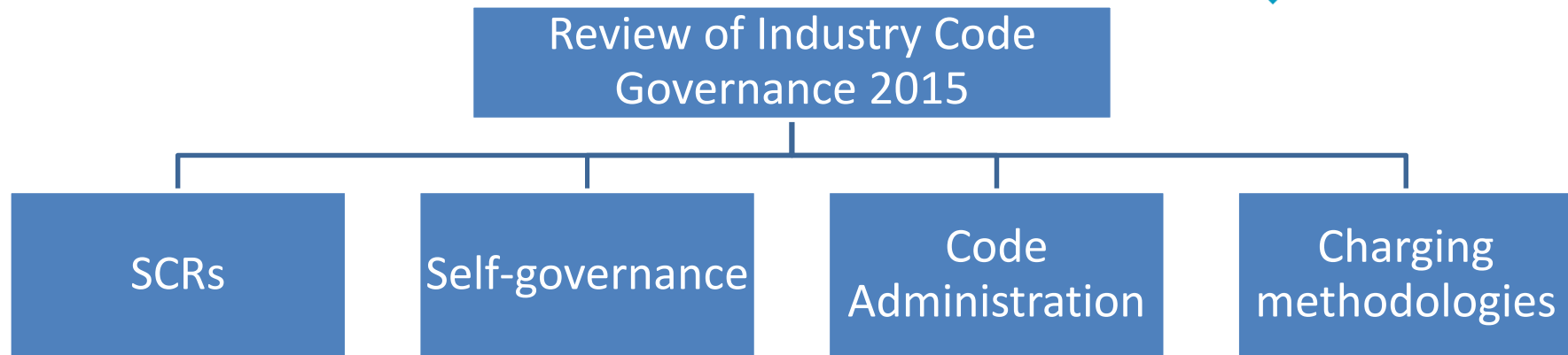
Ensure views of small market participants, if known, are effectively articulated in WG and Mod reports, and that impacts on small market participants are specifically described.

Principle 2

- Documentation published by Code Administrators shall be in clear English

Principle 3

- Information will be promptly and publicly available to users



- Utilise this resource
- Analyse its effectiveness
- Respond to our up-coming consultation at the end of the summer



CFD Supplier Obligation: technical changes to improve efficiency and transparency

Darryl Abelscroft
DECC

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Introduction

What are we proposing?

- Following feedback, we are considering some technical changes to the CFD Supplier Obligation to improve efficiency and transparency
- Should Ministers agree, we will issue a consultation on these changes in Autumn this year

Why does this matter to Independent Suppliers?

- Independent suppliers have voiced particular concerns with payment variability under the Supplier Obligation.
- Though this will not address all concerns, we hope that it should improve their ability to manage payments.

What are the next steps/take home messages for Independent Suppliers?

- We welcome thoughts and evidence from independent suppliers on whether these changes would hold value
- Subject to that feedback and Ministers' decisions, we will look to consult in Autumn.
- The legislation would be laid in January 2016.

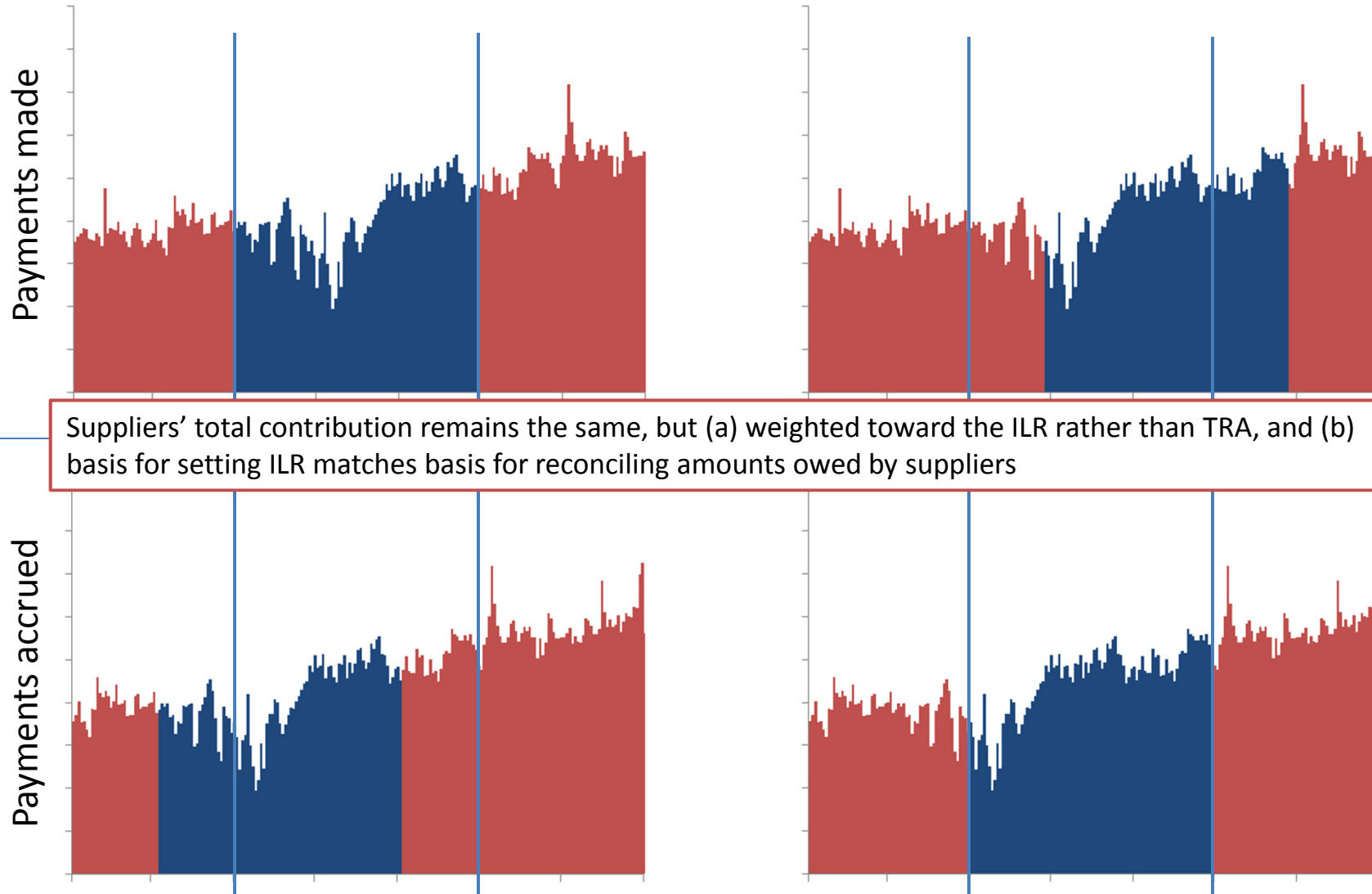


What are we considering?

- The proposals are to **improve the efficiency of the design** by:
 - Altering the way the Interim Levy Rate (ILR) is calculated to reduce the level of lump sum payments and better align with suppliers' underlying liabilities
 - Amending the way the Total Reserve Amount (TRA) is calculated to cover the full period of cash-flow risk to the LCCC
 - Changing the reconciliation process so that suppliers get their cash back three months' earlier
 - Providing the LCCC with more flexibility in managing the rates so that suppliers are not required to pay monies unnecessarily
- Separately the LCCC have announced that they will issue forecasts of the ILR and TRA for an additional three quarters, in order to **improve transparency** over costs.



Interim Levy Rate calculation





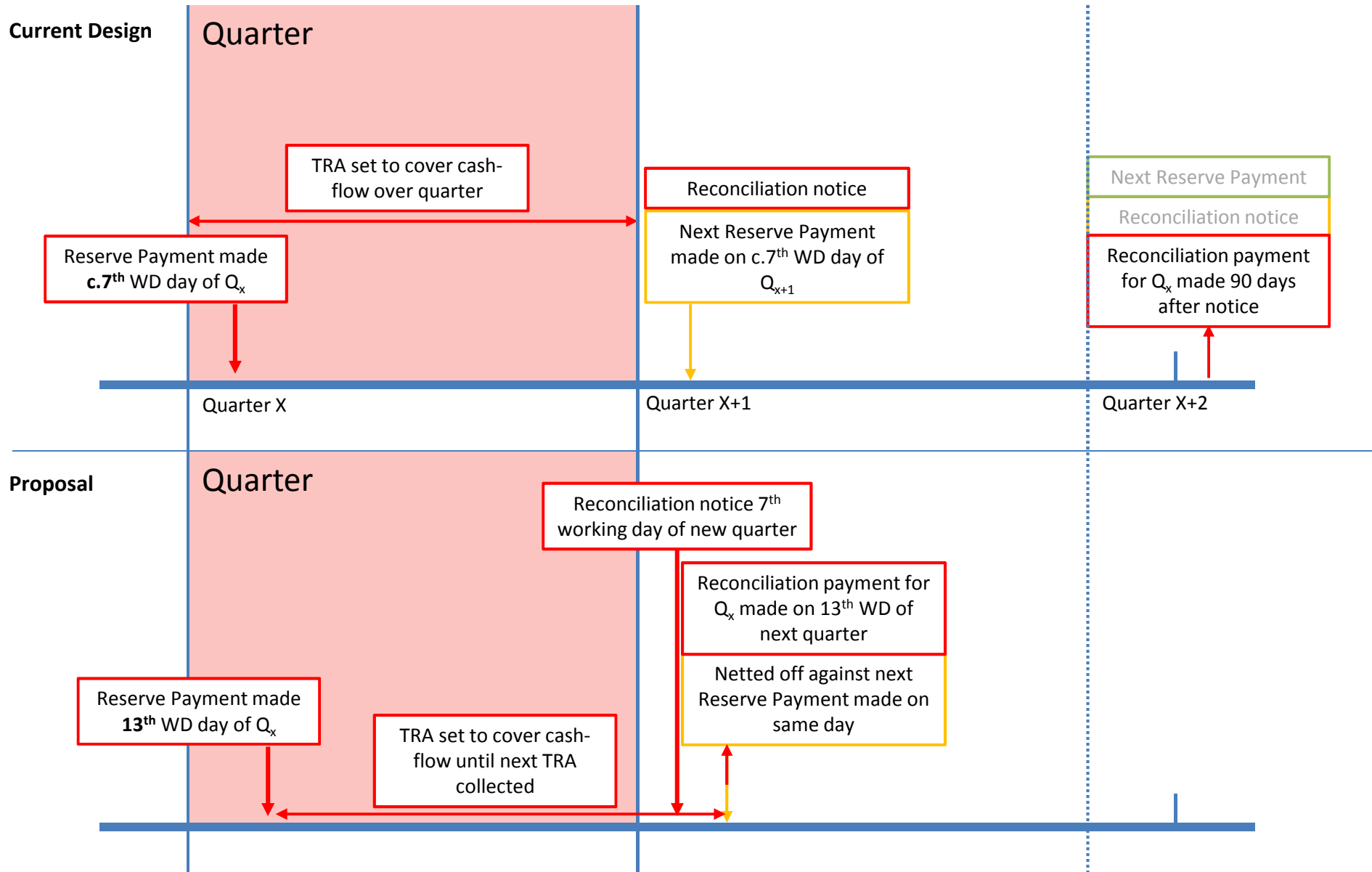
Interim Levy Rate calculation

➤ To reiterate:

- Currently the ILR is calculated to cover the expected payments to generators in a given quarter.
- However,
 - a) Not all the supplier payments at the ILR are received by the LCCC by the end of the quarter because they are paid in arrears. This leads to a higher TRA.
 - b) This doesn't match the calculation for suppliers' liabilities once a quarter ends, which are based on accrued liabilities resulting from generation in the quarter. This means the ILR is a poor proxy for the SO costs to suppliers.
- Therefore we are considering amending the calculation to align with suppliers' reconciled liabilities
- It would be based on accrued liabilities resulting from generation in the quarter. The likely result is that the ILR would increase, but the TRA would reduce to compensate.



TRA and Reconciliation





TRA and Reconciliation

➤ To reiterate:

- Reconciliation payments are not made until c.100 days after a quarter end
- We are considering bringing this forward, such that reconciliation payments are made on the 13th working day of the next quarter, alongside the collection of the following TRA. This would see suppliers receive any repayment more quickly.
- In order to protect the LCCC from cash-flow risk, we are considering changing the way that the TRA is calculated. At present it is sized to cover cash-flow risk within the quarter in which it is paid. The amendment would see it sized to cover cash-flow risk until the next TRA is received.



Other proposals

- **Enable LCCC to reduce ILR and TRA with no notice**
 - The LCCC are unable to reduce the TRA once it has been set, and are required to provide 30 days notice to reduce the ILR
 - We propose to provide them with flexibility to reduce the TRA and ILR with no notice, to help them avoid collecting payments from suppliers unnecessarily.

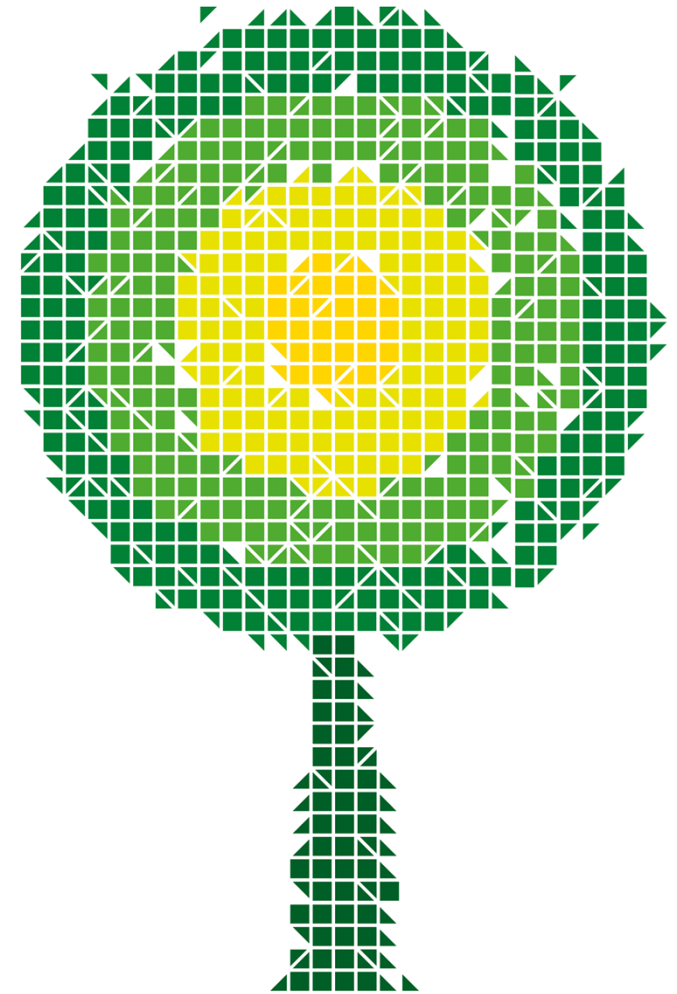
- **LCCC decision to forecast ILR and TRA for three additional quarters**
 - The LCCC recently announced that they will issue forecasts of the ILR and TRA for an additional three quarters, in order to improve transparency over costs.

- **We would welcome thoughts on these and any further measures that could help provide more transparency to suppliers.**



Smart Energy Code Arrangements

6th July 2015





Areas we will cover

- A brief overview of the SEC
- SEC Governance Structure
- SEC Panel and SECCo Board
- Becoming a DCC User - Small Supplier Checklist
- Where to find further information



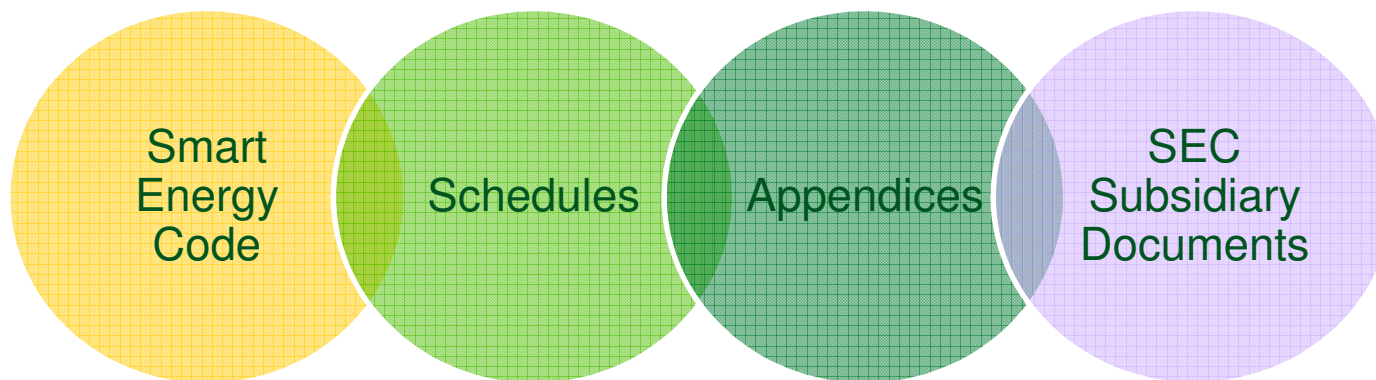
Why this matters?

- Supplier Licence Condition to accede to the Smart Energy Code
- As well as abiding by the obligations in the Code, Parties have various opportunities to get involved in the shaping of the Code
- Ensuring all Parties' voices are heard!



The Smart Energy Code

- **A multi-Party agreement:**
 - DCC licence obligation for the SEC
 - Defines the rights and obligations between the DCC and the Users of the DCC Services
 - Specifies other provisions that govern the end-to-end management of Smart Metering in GB





SEC Panel and SECCo Board

Panel

Pursue the Panel Objectives and Panel Duties using the powers set out in the SEC (SEC Section C2)

- Establishes budgets, Sub-Committee constitution and expert infrastructure
- Develops capabilities to take-on responsibilities emerging from future SEC content

Board

Act as the corporate vehicle to support Panel business

- Board of Directors of SECCo
- Looks at the corporate governance of the Code e.g. contract-holder with SECAS, Independent Chairs, PKI Expert, Lawyers and SECCo Auditor



SEC Panel Activities

Representation at Industry Meetings

- Transition Work Groups
- Ofgem Smarter Markets
- Joint Code Working

Ensures the SEC Fulfils its Objectives

- Delegates to SEC Sub-Committees
- Transparent publication of information
- Procurement of experts

Liaise with DECC and Ofgem

- Respond to Consultations
- Code Administration Code of Practice (CACoP)
- Manage handover



Becoming a DCC User – an Overview

User Entry Process Tests (UEPT)

In accordance with the Common Test Scenarios (CTS)

User ID

Obtained from Panel via SECAS

EUI-64 compliant
Notified to DCC

User Security Assessment

Carried out by the User Independent Security Assurance Service Provider – the CIO procured by Panel

SEC G3-6 requirements

SMKI & Repository Entry Process Tests (SREPT)

In accordance with the SR Test Scenarios

Credit Cover

If applicable, lodged with DCC

Privacy Audit

Carried out by the Independent Privacy Auditor – the CIO procured by the Panel

SEC I2 requirements



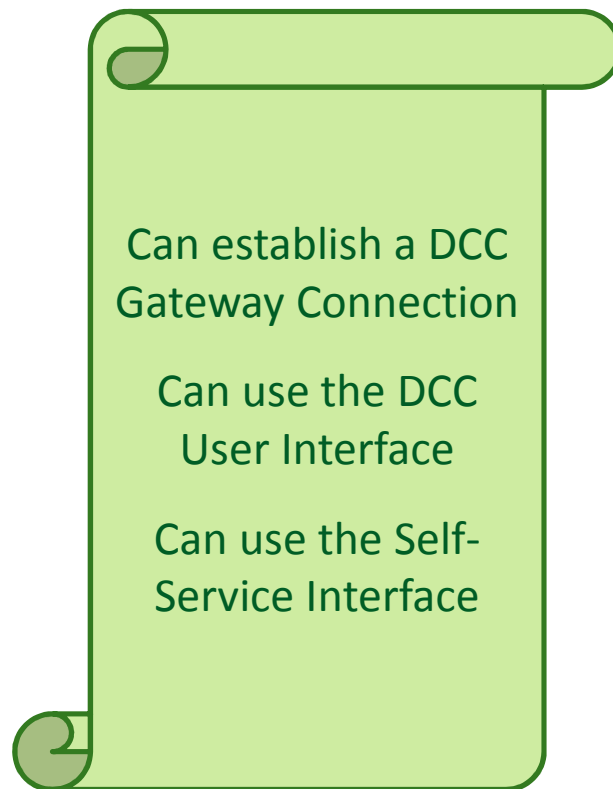
Becoming a DCC User – a bit more detail...

Condition	Applicability
User Entry Process Tests (UEPT) (SEC Section H1)	In order to interact with the DCC systems as a Small Supplier, you will need to complete the user entry tests for that User Role. Before UEPT can begin, Section H1.10 sets out specific requirements each User Role must demonstrate and provide evidence of.
SMKI & Repository Entry Process Tests (SREPT) (SEC Section L7)	As a Small Supplier you will want to access the Smart Metering Key Infrastructure (SMKI) Repository or want to be an Authorised Subscriber under the Device or Certificate Policy. For this to happen, you must complete SREPT.
User ID (SEC Section B2)	Small Supplier Parties will need an EUI-64 compliant identifier for use as your User ID, which you will be able to obtain from the SEC Panel by contacting the SECAS helpdesk later in the year following confirmation of the process by the Panel.
User Security Assessment (SEC Section G3-G6)	As a Small Supplier, you are required to abide by the Security Obligations on Users in Section G3-G6 and will be required to undertake a Security Assessment by the User Independent Security Assurance Service Provider.
Privacy Audit (SEC Section I2)	Licensees have privacy conditions in their licences, however, if you are a licensee and also want to operate in the capacity of 'Other' User Role you may fall under the entry process audit arrangements. In such instances, you must complete a Privacy Audit.
Credit Cover (SEC Section J3)	Small Suppliers must procure and lodge Credit Support with the DCC



User Entry Process Testing

- SEC Section H14 – UEPT tests the capability of a Party to interoperate with the DCC



- For each User Role and in accordance with the Common Test Scenarios
- Using Devices selected by the DCC
- Communications to and from the User and DCC
- Test scripts and sequences developed by Party, approved by DCC
- Completed when DCC considers the Party has met the requirements of its UEPT



SMKI & Repository Entry Process Testing

- SEC Section H14 and L7 – SREPT is required for becoming an Authorised Subscriber and tests the capability of a Party to interoperate with the SMKI Repository



- In accordance with the SMKI & Repository Test Scenarios
- Is an Authorised Subscriber and a Subscriber for Organisation Certificates under the Organisation and Device Certificate Policies
- Is an Authorised Subscriber, and a Subscriber for IKI Certificates under the IKI Certificate Policy
- Is eligible to access the SMKI Repository as set out in the SMKI RAPP
- Completed when DCC considers the Party has met the requirements of its SREPT



User Security Assessments

- Security Assessments will be undertaken by the User Independent Security Assurance Service Provider
- Assess compliance with obligations set out in SEC Section G3 to G6
- Small Suppliers will be required to undergo a Full User Assessment prior to becoming a DCC User

Smart Energy Code Website

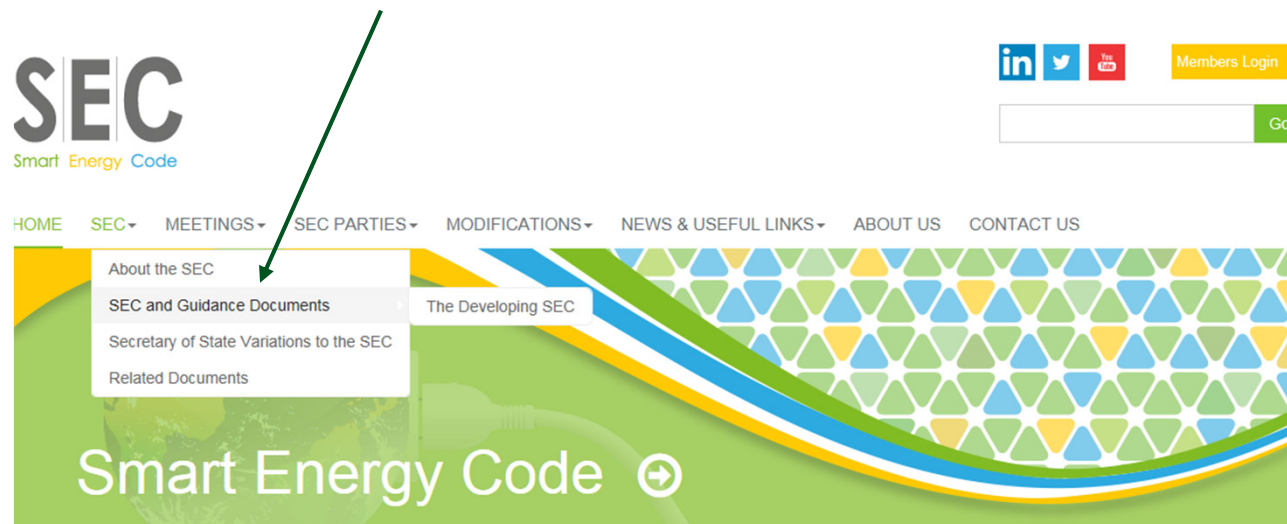
www.smartenergycodecompany.co.uk

The screenshot shows the Smart Energy Code website interface. At the top left is the SEC logo. To its right are social media icons for LinkedIn, Twitter, and YouTube, and a 'Members Login' button. Below these is a search bar with a 'Go' button, labeled 'Search Tool'. A horizontal navigation menu is labeled 'Menu Panel' and includes links for HOME, SEC, MEETINGS, SEC PARTIES, MODIFICATIONS, NEWS & USEFUL LINKS, ABOUT US, and CONTACT US. The main banner features a globe and the text 'Smart Energy Code'. Below the banner are three colored boxes: 'Smart Energy Code (SEC)', 'SEC Panel', and 'SMKI PMA'. The main content area is titled 'Welcome to the Smart Energy Code' and contains introductory text. To the right of this text is an accordion menu labeled 'Accordion containing:' with items: 'Upcoming Meetings', 'Recent Publications', 'Latest Newsletters', and 'Sign up to Newsletter'. Below the accordion is a 'Quick Links' section with icons for 'Meeting Calendar', 'Smart Energy Code', 'Guidance Documents', 'Modifications', 'Useful Links', and 'Contact Us'. At the bottom left is a 'Latest News' section with three news items: 'Welcome to the New SEC Website!', 'Spotlight on the SEC Seminar', and 'SEC version 4.2 has been designated'. At the bottom right is a 'Tweets' section showing two tweets from the Smart Energy Code account, labeled 'Social Media'.



Information available to you...

- The SEC Website contains:
 - the 'live' SEC (and previous versions);
 - each Schedule; and
 - each designated SEC Subsidiary Document.
- You can find this information on the SEC Website under:
'SEC and Guidance Documents'





Contact Us:

For all enquires or further advice, please contact SECAS at:

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Non-traditional business models: Supporting transformative change in the energy market

Dr Jeff Hardy

Head of Future Consumers & Sustainability

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ofgem



Why is this relevant? What are the next steps?

- Relevance:
 - Our discussion paper on non-traditional business models closed for comments on May 20th.
 - We were seeking to understand the potential of NTBMs to transform the energy system to the benefit of consumers and how regulation impacts on that now and in the future?
 - Several smaller suppliers responded.
 - Today we're presenting some (heavily caveated) insight into the emerging themes to seek your views.
- Next steps
 - **Summary of responses + next steps published in summer 2015**

1. Low carbon energy transition
2. Rapid technological innovation
3. Lack of consumer engagement and trust
4. A greater focus on affordability and supporting vulnerable consumers

What sort of NTBMs?

Local services

Community Energy
(1000's organisations
+ Ovo Communities)

Municipal Energy (eg
London, Nottingham,
Bristol, etc)

Housing Associations
(eg Carbon Savings
Alliance)

Bundled services

Energy service
companies (ESCos)
(eg Woking)

Multi-service
providers (eg Utility
warehouse)

Market services (eg
supplier-in-a-box
provider Utiligroup)

Customer participation

Peer-to-peer energy

Demand-side
flexibility

Prosumers

Next gen
intermediaries

NTBMs and regulation

Issues particularly affecting small-scale NTBMs

- **Set up costs for suppliers**
 - BIS Challenger Business project
 - DECC/Ofgem Independent Supplier
 - CMA
- **Regulatory compliance costs**
 - DECC/Ofgem Independent Suppliers project.
- **Environmental and Social Obligation thresholds**
 - DECC
- **Code compliance**
 - Licence Lite

Potential issues related to market structure

- **Vertical integration**
 - CMA
- **Liquidity**
 - Secure and Promote license condition
 - CMA
- **Imbalance costs**
 - Electricity Balancing Significant Code Review
- **Code modification**
 - Code Governance Review
- **Network Connections**
 - Community Energy Grid Connections Working Group
 - RIIO-ED1 incentives
 - Anticipatory investment consultation
 - CMA
- **Lack of customer engagement**
 - RMR
 - CMA

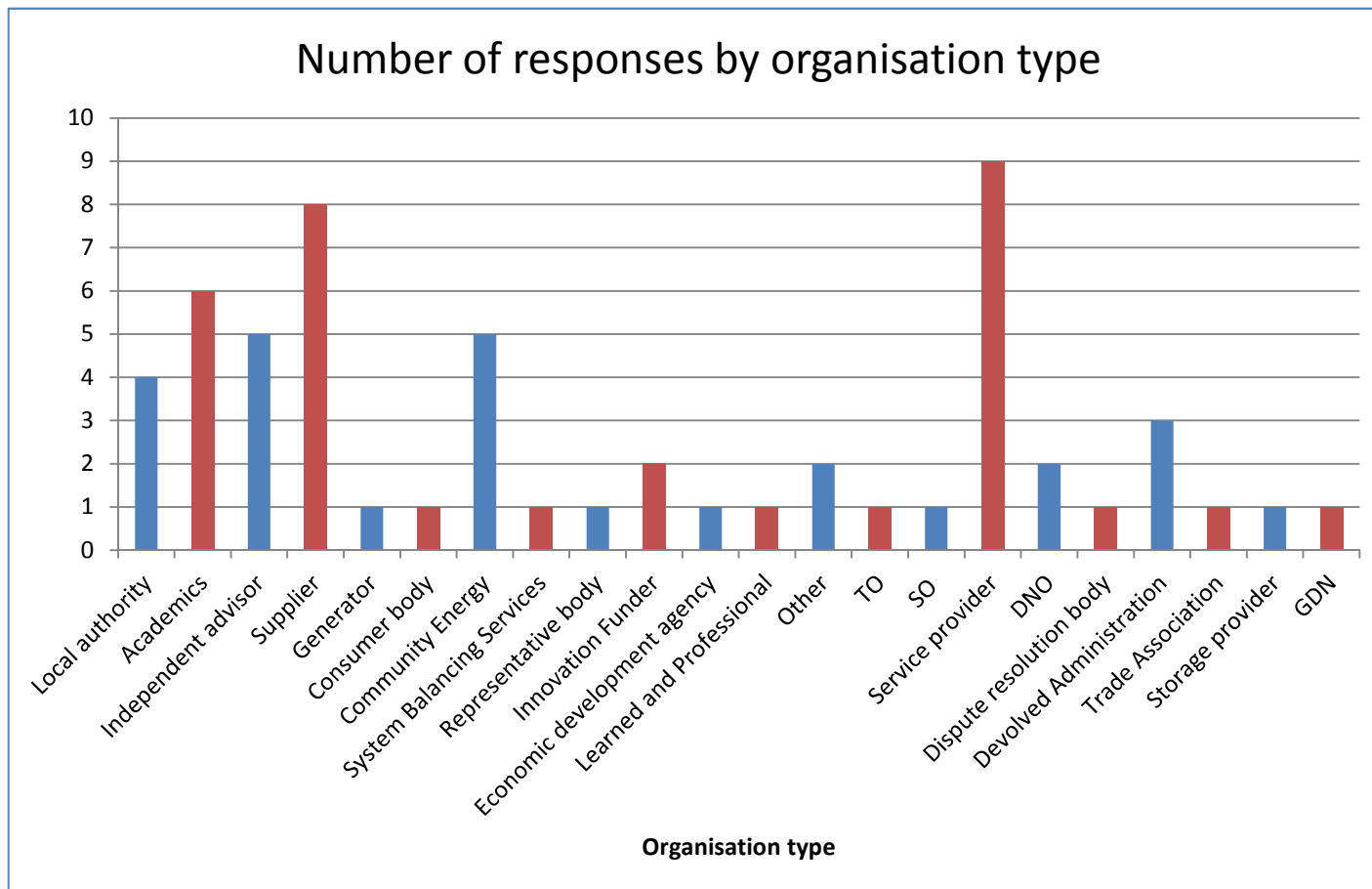
Emerging regulatory developments

- **Impacts of demand-side response and other new sources of flexibility**
 - Flexibility project
 - Smart Grid Forum
- **Third Party Intermediaries**
 - TPI programme
 - Updated confidence code
 - Non-domestic TPIs consultation forthcoming

Market effects of NTBMs

Direct energy system <u>benefits</u>	Economic	<ul style="list-style-type: none"> • Consumer bill reductions through increased engagement and competitive pressure • Avoided/reduced network costs: losses, connection, reinforcement, transmission, distribution • System balancing cost reductions: eg if NTBMs enable greater demand management • System diversity, flexibility and reliability/resilience • Innovation effects: new products, services and processes may drive down costs and enhance consumer choice • Increased market engagement may have knock-on effects: eg, success rates for energy efficiency projects, demand reduction, behavioural change, etc
	Environmental	<ul style="list-style-type: none"> • Carbon impacts through both fossil fuel and demand displacement • Additional environmental impacts: eg air quality (and associated health effects), impact on natural beauty
	Social	<ul style="list-style-type: none"> • Increased energy 'literacy' may lead to greater support for renewables deployment and demand-side programmes • May focus particularly on vulnerable, fuel poor or 'hard to reach' energy consumers
Direct energy system <u>costs</u>	Economic	<ul style="list-style-type: none"> • Additional grid connection costs (connection and potential reinforcement) • System integration costs: eg more back-up generation required or better distribution system management (such as local balancing) • Higher coordination costs due to increase in number of market participants • Equipment costs: eg in consumer premises • Increased costs associated with managing greater system flexibility eg reliance on higher levels of intermittent and distributed generation • Potential risks to personal data, privacy, consumer protection, etc
	Environmental	<ul style="list-style-type: none"> • Carbon impacts • Additional environmental impacts eg air quality (and associated health effects), impact on natural beauty
	Social	<ul style="list-style-type: none"> • Potential marginalisation of vulnerable consumers and others not able to access new (digital) services and products
Wider indirect <u>benefits</u>	Economic	<ul style="list-style-type: none"> • New jobs and enhanced local skills • Economic development (potentially in areas with fewer opportunities) • Regeneration of local areas and enhancement of investment potential
	Environmental	<ul style="list-style-type: none"> • Greater understanding of low carbon energy may have knock-on effect on other behaviours: eg heating and transport choices • Community and municipal energy projects may lead to broader environmental awareness and schemes focused on the enhancement of green infrastructure and biodiversity
	Social	<ul style="list-style-type: none"> • May provide funds for non-energy-related projects through community funds/trusts • Wider social impacts on local communities: eg social cohesion or community development

Total number of responses = 59



Emerging themes



Ofgem Information Requests

Mark Wagstaff, Head of Better Regulation

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6 July 2015

ofgem



Information requests – what they are and why we need them

- Information requests (IRs) are written engagement with a licensee or scheme participant for the purpose of collecting a defined set of information. This could be ad-hoc or regular engagement, but it's information that is not ordinarily available to Ofgem
 - That means when we talk about IRs we don't include information sent to us because of a licence condition or to participate in a DECC scheme or as part of a tender process
 - We use IRs because we need information about practice or developments in the sector to establish a properly-evidenced picture about the issues consumers face
 - Some IRs are targeted at specific parts of the market or groups of licensees. We understand the burdens IRs can create for independent suppliers. However sometimes we need information about the whole sector so we can deliver our duties to consumers
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- Long history of industry concerns about lack of coordination in our IR processes – in particular around bunching of deadlines leading to resource pressures for suppliers and apparent duplication of requests
 - Smaller suppliers in particular question whether whole-sector evidence is needed in some areas – suggestion that sometimes the difference made by smaller supplier data is marginal to overall outcome
 - Overall perception that Ofgem does not manage information well
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- Our Simplification Plan 2012-13 committed us to review our IR processes and since then we have worked to address issues highlighted by industry
 - Our Transparency Policy Statement commits us to make sure our information gathering is effectively managed and that we make efficient use of information without unnecessary burdens
 - This includes our indicative process for how we aim to develop and use IRs. This emphasises the need for clear scoping and pre-engagement with recipients wherever possible. Also giving feedback on how information has made a difference
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- Internal change programme with strong focus on effective knowledge management and better use of IT
 - Forward Work Programme 2015-16: ‘Alongside improvements in knowledge management we will also simultaneously look to improve our data management and operational processes. This work will include the streamlining of the development and use of our industry information requests, helping ensure that our internal data sharing arrangements help us mitigate the burdens that our requests place on the sector’
 - New Information Request logging tool – whole organisation solution (developed in-house at good value) to combine data about IRs from across the business and provide a straightforward interface for staff to see recent and upcoming IRs
 - Aim that this will help us reduce duplication and improve how we use the information we receive from industry. Looking to assess cost benefits of this
-

Priority Services Register (PSR)
Presentation to Independent Suppliers Forum

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06/07/2015

ofgem



- Licence requirements on suppliers and electricity networks (DNOs) to hold PSRs. Gas networks (GDNs) not currently required to hold PSRs.
- Registers of **disabled, chronically sick and pensionable age** customers and those with **hearing and visual impairment needs**.
- Free non-financial services to help customers **communicate with their energy company and stay safe**. Also help network companies to **prioritise assistance to vulnerable customers during supply outages**.
- Suppliers must **share information** about customers on their PSRs with GDNs and DNOs. DNOs share information about customers on their PSRs with electricity suppliers.
- GDNs not currently required to share information about identified customer needs with gas suppliers.

Why review the PSR?

- X** Low awareness of PSR and low uptake of associated services.
- X** Sole reliance on blanket categories to define vulnerability.
- X** Services not reflective of technology advances (smart-world).
- X** Poor and inconsistent data sharing between energy companies.
- X** Monitoring lacks focus on quality of services delivered.

Our visions for the PSR

- ✓ Any energy customer with identified safety, access and communication needs should be offered services;
- ✓ Services to deliver overall better customer experience and ensure equal outcomes for customers based on need;
- ✓ Energy companies to proactively identify, record and share data about vulnerable customers between themselves and with other utilities;
- ✓ Improved customer awareness of PSR to increase trust and uptake of services;
- ✓ Provisions for effective compliance and performance monitoring.

“PSR Provisions should deliver equal outcomes for customers – by this we mean that customers should not be disadvantaged or receive a worse service because of their vulnerability”

- Initial consultation ran between July to September 2014, looking at the following themes:
 - Eligibility
 - Services
 - Customer Identification and Data Share
 - Awareness and Uptake of Services
 - Compliance and Monitoring.
- 40 consultation responses received across energy industry and consumer groups (2 from independent suppliers).
- Ofgem stakeholder roundtable discussion during consultation period with key stakeholders to gather further views.

PSR Review Summer 2014 - Proposals

Eligibility

- Non-financial services to any customer that needs it to communicate with energy company and stay safe.*
- “Core” eligible groups retained in network services to prioritise those most at risk.*

Services

- Keep prescribed services to offer minimum level of protection. *
- Add ‘Knock and Wait’ and make services more aligned to updated technology (e.g. smart).*
- GDNs to offer advice and information to vulnerable customers during supply interruption.

Customer Identification and Data Share

- Energy companies to proactively identify, record and share vulnerable customer data.*
- Consistent vulnerability “needs codes” agreed across energy companies to share data.*
- Two way sharing between suppliers and networks with potential cross sector sharing.*

Awareness and Uptake of Services

- Awareness raising through Single cross-industry brand.*
- Information materials for advice providers.*

Compliance and Monitoring

- Independent audits for supplier and network performance - publish findings yearly.*
- Updated SOR reporting.*

*affects suppliers

Open Letter Spring 2015 – Updated Proposals

Eligibility

- Non-financial services to any customer that needs it to communicate with company and stay safe.*
- “Core” eligible groups retained and updated to include **households with children under 5 and pregnant women***, and **pensionable age group refined to aged 75 and over.***

Services

- Keep prescribed services to offer minimum level of protection, **offer others where needed.***
- Add ‘Knock and Wait’ and make services more aligned to updated technology (e.g. smart).*
- GDNs to offer advice and information to vulnerable customers during supply outage.

Customer Identification and Data Share

- Companies required to proactively identify , record and share data on vulnerable customers.*
- Consistent vulnerability “needs codes” agreed across companies to share data with appropriate privacy safeguards, **to be led by ENA CSWG.***
- **Signposting to support in other utilities**, view to explore cross sector data sharing.*

Awareness and Uptake of Services

- **Priority Services Register to be kept as single joint brand;***
- Ofgem to produce information materials for advice providers outlining the services available to customers;*
- **Further work to be carried out by energy companies in promoting customer awareness and uptake of services.***

Compliance and Monitoring

- Supplier Social Obligations Reporting to be updated to reflect changes in PSR reporting;*
- **Adopt principles-based approach to regulation of energy company compliance - SOC Panel Reporting and mystery shopping for suppliers***, RIIO stakeholder engagement incentives for networks.

*affects suppliers

What this means for all suppliers...

- Broadened eligibility model so that any customer that needs a PSR service is able to receive it
- Updated prescribed services; additional ones offered where needed
- Changing systems and vulnerability 'needs' codes to allow for better recording and sharing of vulnerable customer data
- Sharing and adopting best practice in identifying vulnerable customers, raising awareness of services available and improving uptake.
- Revised SOR reporting criteria
- Performance monitoring through SOC Panel.

Alignment of 'needs' codes

- Work already ongoing through ENA Customer Safeguarding Working Group.
- **Next step engagement with independent suppliers and consumer bodies.**
- Discussions around timeframe for implementation

Data sharing mechanisms

- **Scoping of existing industry data flows, information shared and gaps**
- Scoping of supplier Central Registration System - faster switching - and potential links to PSR data

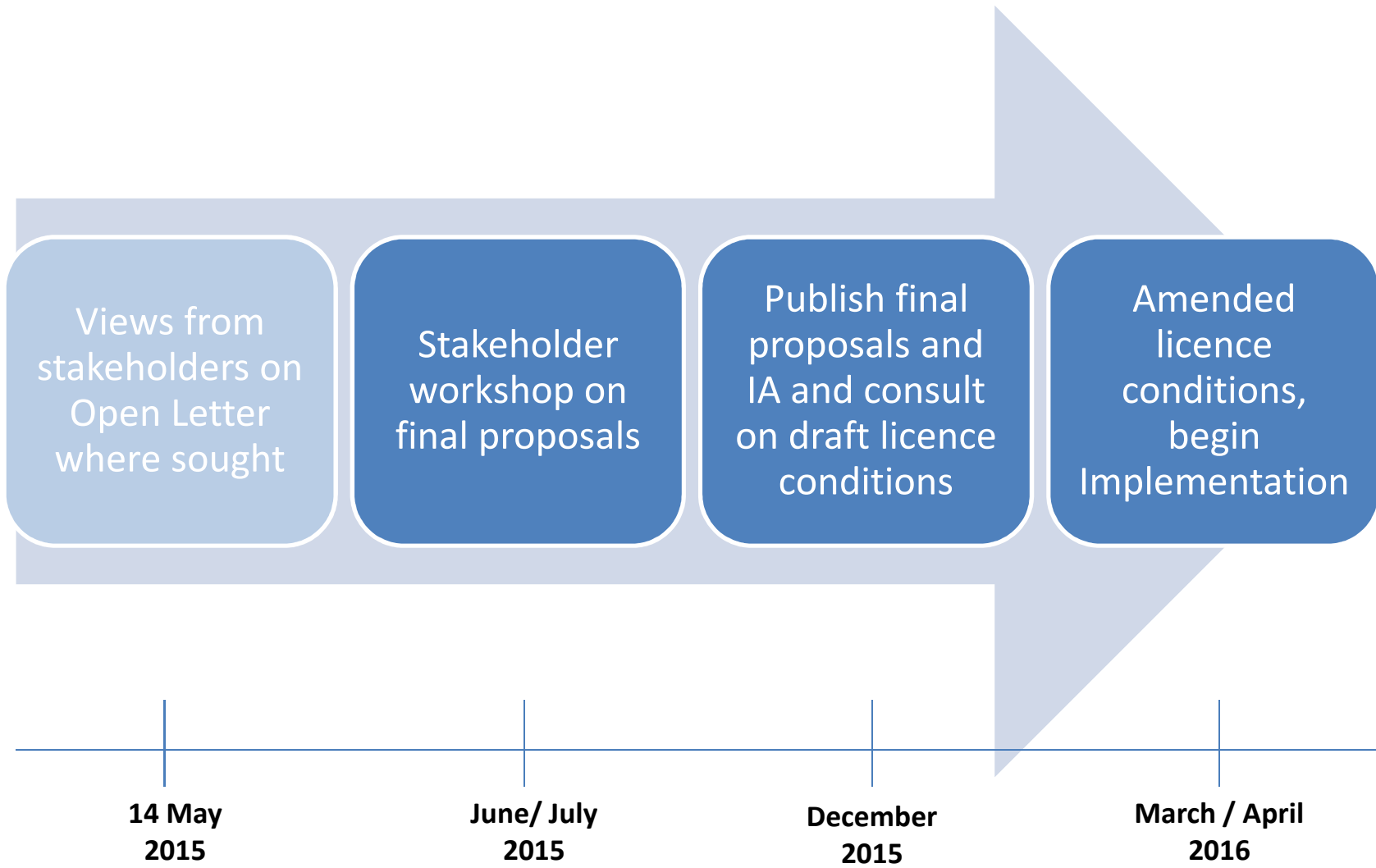
Changes to supplier licence conditions

- **Supplier workshop, 29 July 2015**

Costs

- **Work underway for Impact Assessment on costs associated with changes**

Timeline for next steps



Needs codes - existing

D0255 flow items - Electricity	S84 flow items - Gas	Proposed data items	Notes
Nebuliser		<i>Nebuliser/Ventilator</i>	
Ventilator			
Heart/Lung machine	Heart Condition	<i>Heart/Lung machine</i>	
Kidney Dialysis		<i>Kidney dialysis</i>	
Oxygen Concentrator		<i>Oxygen concentrator</i>	
Apnoea monitor		<i>Apnoea monitor</i>	
Other Medical dependency on electricity		<i>Clarification Required</i>	
Blind	Blind	<i>Blind</i>	
Partial sighted	Poor sight	<i>Poor sight</i>	
	Braille User		
Deaf	Deaf	<i>Deaf</i>	
Hearing Impaired	Poor Hearing	<i>Poor Hearing</i>	
Stair Lift		<i>Stair lift</i>	
Bath Hoist		<i>Hoist</i>	
Elderly (60+)	Aged 60+	<i>Pensionable Age</i>	
Disabled		<i>Physical disability</i>	

Needs codes - progress made (DRAFT)

	#	Description	PSR Core group	Including:	Considerations/what do we do differently?	Requirement for Supplementary Info (Y/N)	Notes & Next Steps:
Medically Dependent Equipment	1	Nebuliser	Yes				
	2	Heart/Lung Machine	Yes	Nebuliser, Ventilator, Kidney Dialysis, Apnoea Monitor, heart and lung machines.	Medical dependency on electricity - prioritise		
	3	Kidney Dialysis	Yes				
	4	Ventilator	Yes				
	5	Apnoea Monitor	Yes				
	6	Oxygen use	Yes			Oxygen cylinder/machinery (safety risk)	Safety risk - links with partnerships; fire service, hospitals and Air Product companies.
	7	Medicine Refrigeration	Yes	As per description	Impact of off power more than x hours		
	8	Physical Impairment	Yes	Restricted movement, wheelchair	Streetworks activity, knock and wait		
	9	Pensionable Age					
	10	75 and over	Yes	As per description - Age related	Put back on gas as priority but not possible in electricity		
	11	Serious/Chronic illness	Yes	Terminal, Stroke, life long			
	12	Pregnancy/Families with young children	Yes	Children <5			

Dealing with Customers in Debt

Svitlana Voronkova, Consumers and Sustainability
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6 July 2015

ofgem



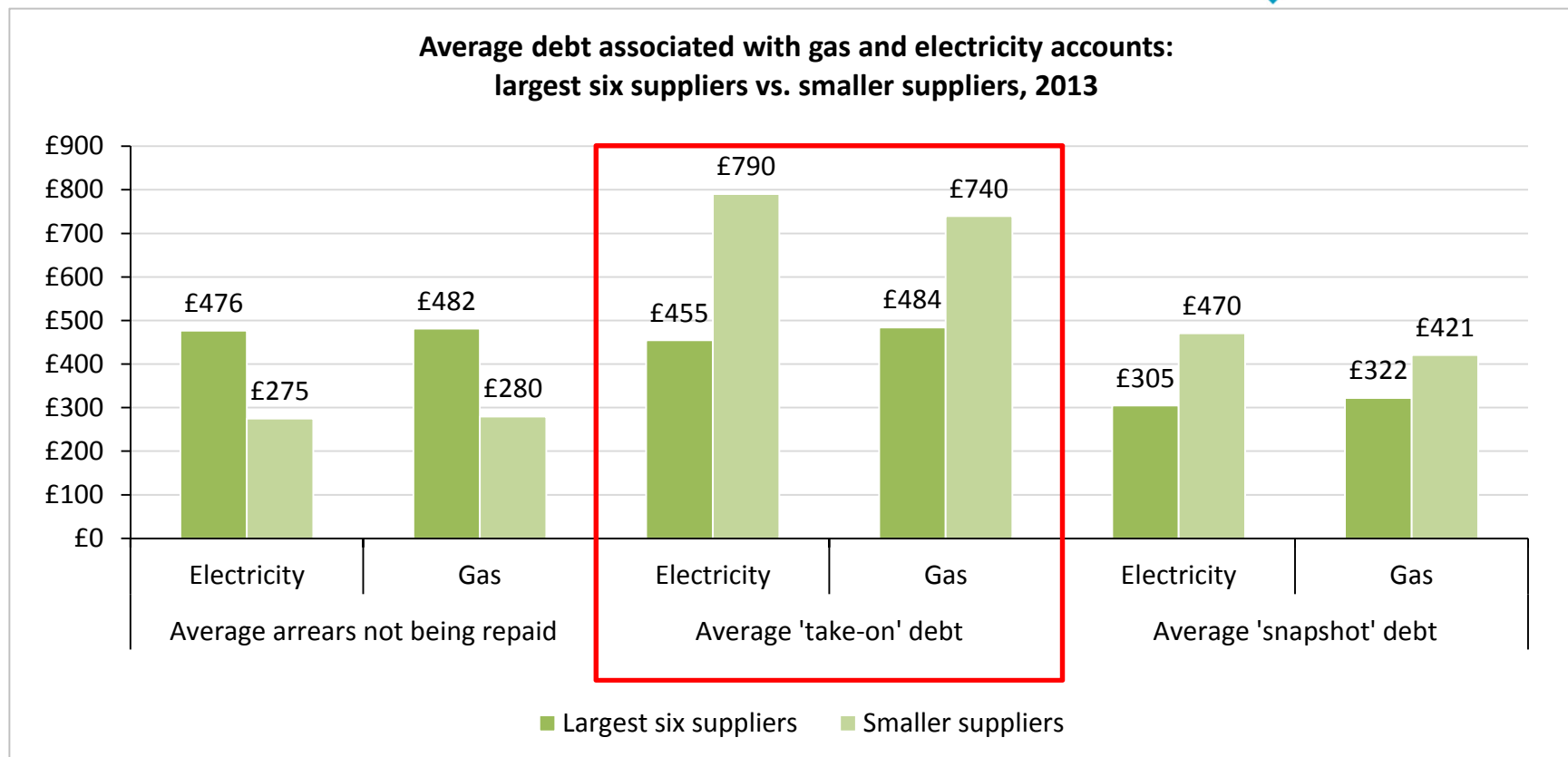
Why does this matter to Independent Suppliers?

- Ofgem collects data on debt and disconnection as part of monitoring supplier dealings with domestic customers as outlined in SLC 32 (Social Obligations Reporting (SOR))
- In particular, it monitors debt levels and repayment rates on supplier-by-supplier basis

This presentation will review existing regulation in relation to customers in debt

- SLC 27.5-27.8 “Customers in payment difficulty” of the gas and electricity supply licences
- Key principles for ability to pay ([“Review of Supplier Approaches to Debt Management and Prevention \(2010\)”](#)) – key considerations which the Authority will take into account when assessing compliance with SLC 27.

Average debt levels

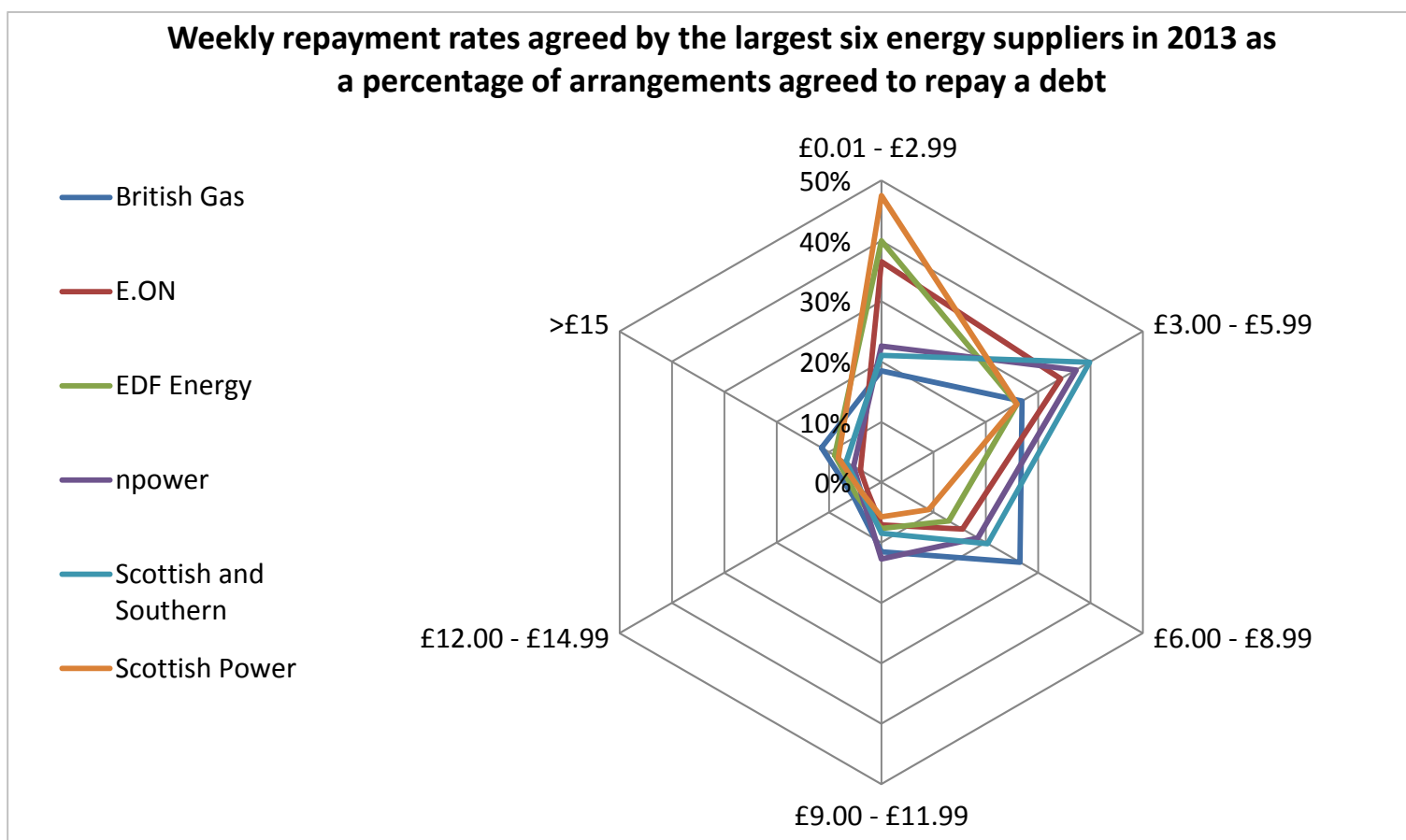


Source: Ofgem (2014), [“Domestic Suppliers’ Social Obligations: 2013 Annual Report”](#). Arrears is the average amount owed by consumers who have a bill outstanding for three months or more but are not on a formal repayment arrangement. Take-on debt is the average level of debt that customers agreed to repay at the start of their formal repayment arrangement. Snapshot debt is the average amount of debt that remains owing on formal repayment arrangements at the end of the quarter.

In 2013, average take-on debt for smaller suppliers was £336 (74%) higher for electricity and £256 (53%) higher for gas than that for the six largest suppliers

Average repayment rates

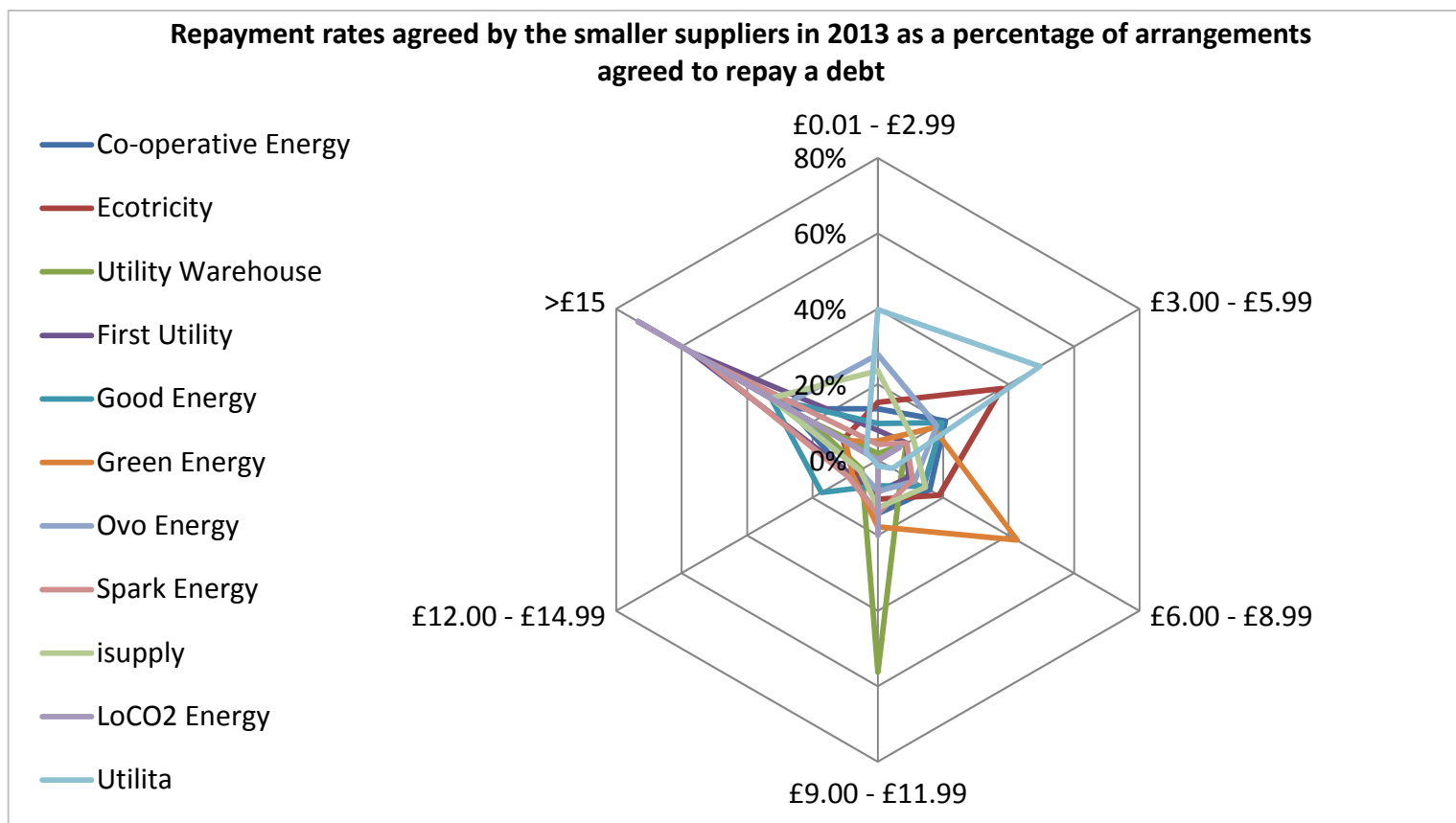
The majority of customers of the six largest suppliers were likely to agree an arrangement to repay their debt at less than £6/week.



Source: Ofgem (2014), ["Domestic Suppliers' Social Obligations: 2013 Annual Report"](#)

Average repayment rates

By contrast, customers of some of the smaller suppliers were more likely to repay their debt at more than £15/week.



Source: Ofgem (2014), ["Domestic Suppliers' Social Obligations: 2013 Annual Report"](#)

SLC 27.8:

Supplier must take all reasonable steps to ascertain customer’s ability to pay and take this into account when calculating instalments giving due to consideration to:

(a) relevant information provided by third parties, where it is available to the licensee; and

(b) where instalments will be paid using a Prepayment Meter, the value of all of the charges that are to be recovered through that meter.

Ofgem [“Review of Supplier Approaches to Debt Management and Prevention \(2010\)”](#) identified a number of key Principles suppliers should take into account to ensure that they are properly and proactively taking account of a customer’s ability to pay.

Ability to Pay Principles (1)

1. Having appropriate credit management policies and guidelines

- Allowing for customers to be dealt with on a case-by-case basis
- Linking staff incentives to successful outcomes not repayment rates

2. Making proactive contact with customers

- Making early contact to identify whether a customer is in payment difficulty
- Regularly reviewing methods of proactive contact to ensure they meet the needs of customers
- Using every contact as an opportunity to gather more information about the customer's situation

3. Understanding individual customer's ability to pay

- Providing clear guidance and training for staff on how to elicit information on ability to pay and monitoring the effectiveness of this
- Making it easier for customers to raise concerns
- Making full use of all available information
- Proactively exploring not only payment amount but appropriate payment methods

Ability to Pay Principles (2)

4. Setting repayment rates based on ability to pay

- Where default amounts are set it should be made clear that these are guidelines only and in any event the levels should be reasonable
- Ensuring all available information is obtained and taken into account including the customer's circumstances identified on the warrant visit or when installing a PPM on a warrant
- Not insisting on substantial upfront before reconnection.

5. Ensuring the customer understands the arrangement

- There must be clear communication with the customer which allows them to understand:
 - how much they are repaying each week;
 - when the debt will be repaid; and
 - what to do if they experience difficulties.
 - For PPM customers this includes explaining that debt will be recovered regardless of usage (eg over the summer).

Ability to Pay Principles (3)

6. Monitoring of arrangements after they have been set up

- Individual arrangements must be monitored:
 - for credit customers' broken arrangements;
 - and for PPM to check whether it is being used initially and on an ongoing basis.
- There should be monitoring of agreed repayment rates across staff using call listening and other techniques to encourage a consistent approach
- Monitoring of failed arrangements to understand whether inappropriate rates are being set
- Monitoring of overall repayment rates and recovery periods to understand trends.

The Citizens Advice Service - helping consumers with energy complaints

citizens
advice

Our part in the
consumer journey

The top ten energy issues consumers called the consumer service about in 2014/15



1. Pricing Information
2. Clarity of Bill
3. Back-Billing/Catchup Bill Received
4. Failure to refund
5. New Bill Not Received/Frequency of Bills
6. Customer Not Responsible for Bill/Debt
7. Failure to set up DD / DD at incorrect level
8. Connections/Alterations of Supply
9. Debt Recovery Practices
10. Meter reading/data collection

The Extra Help Unit

EHU established in October 2008 to assist vulnerable domestic and small business energy and postal consumers across Great Britain. (CEAR Act 2007)

Section 13: Duty to investigate

Disconnection/threat of disconnection, refusal to reconnect
Failure of a prepayment meter, system or payment facility

Section 12: Power to investigate

Complaints on behalf of vulnerable consumers

People *can* be vulnerable for any of the following reasons

Medical - chronic illness or reliance on medical equipment

People who may need support – some people with a mental health or communication support need, or a learning disability

Personal reasons – life changing circumstance (divorce, bereavement, etc), drug/ alcohol problems, debt, small business in debt or facing closure, elderly, young children at property, low income

Anyone unable to cope with the complaint is vulnerable

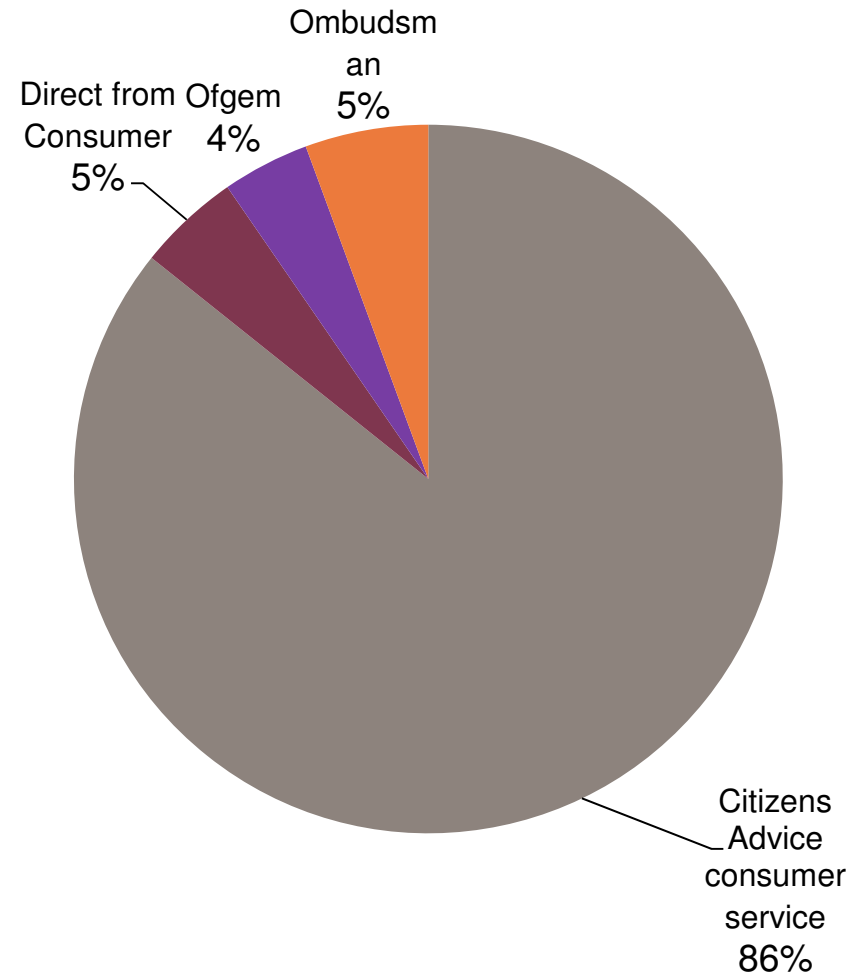
Extra Help Unit: How we receive our work

Referrals from Citizens Advice Consumer Service, Ofgem, EO Redress Scheme and parliamentarians

Referral guidelines in place with above stakeholders to ensure smooth transfer

Referrals protocols:

- ✓ Urgent calls are Mid Call Transferred
- ✓ Non-urgent calls are emailed to general inbox



How the EHU works

Investigate and negotiate with suppliers until case resolved or deadlock reached.

Ensure appropriate payment methods and payment plans are in place

Signposting & referrals – trust funds, debt advice, food banks, energy efficiency, social services

Policy work – carry out analysis on casework and raise any concerns initially with suppliers, energy policy team in the Consumer Futures unit and Ofgem.

EHU supplier liaison meetings and individual meetings

Reflect periodically on how we deal with consumers, how we communicate, utilise Samaritans training. Currently being benchmarked against the BSI on inclusive service provision.

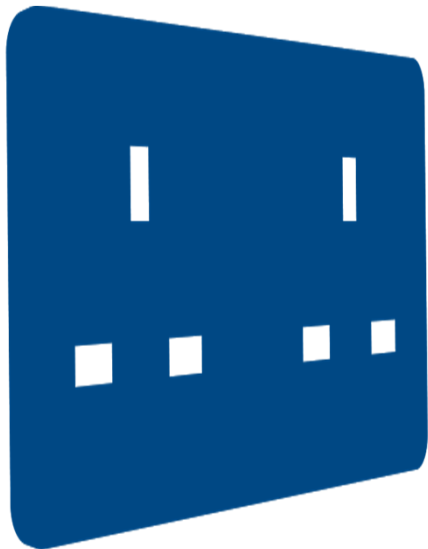
EHU: supplier engagement

The EHU takes on cases relating to over 50 different suppliers & holds regular meetings with many of them to discuss issues of concern, - including individual meetings with suppliers, and Ofgem.

Host quarterly supplier liaison meetings which are attended by a wide range of suppliers, the Citizens Advice consumer service and the Energy Ombudsman.

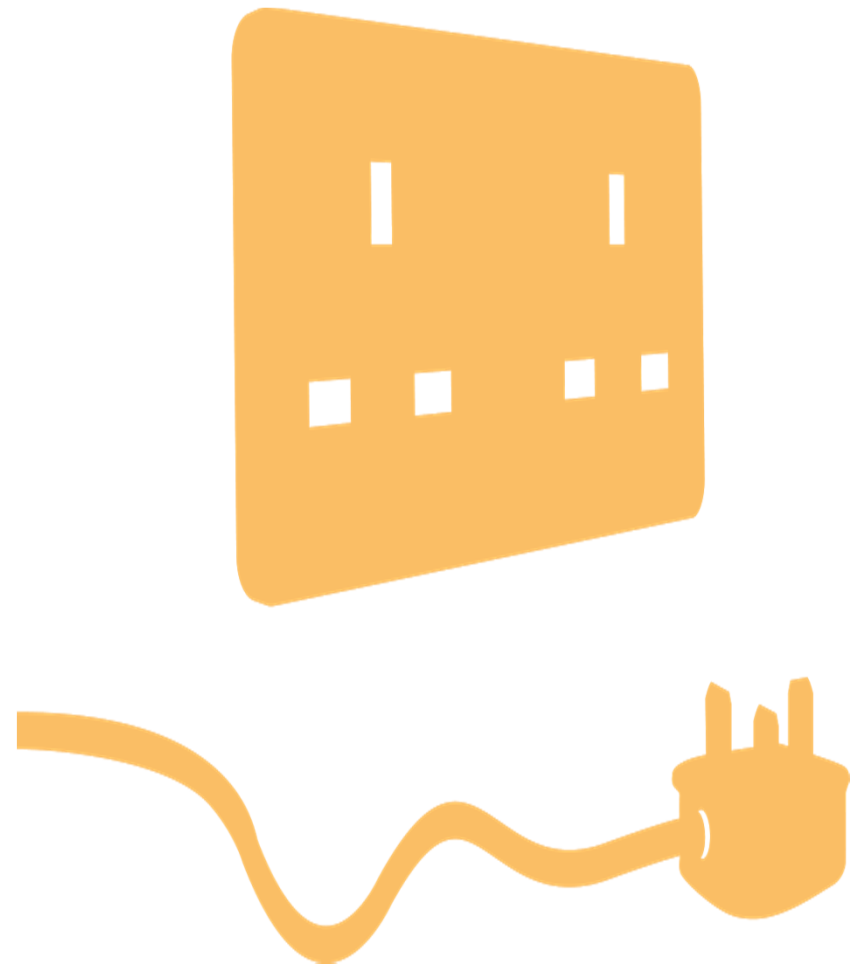
Often hold meetings jointly with a supplier and the Citizens Advice Energy Team.

We can provide advice on best practice across the industry and make suggestions on how to progress a complaint.

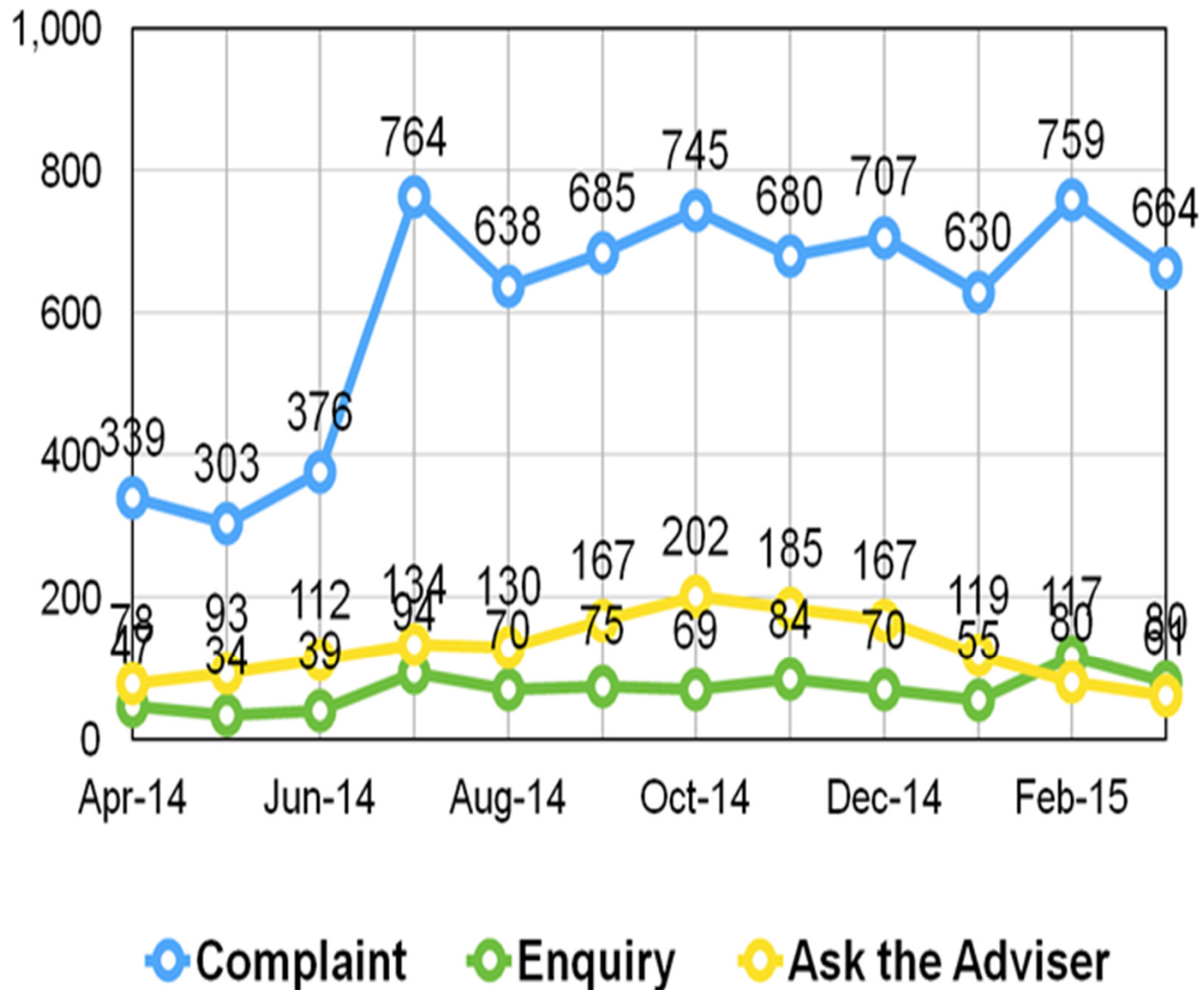


EHU: supplier engagement

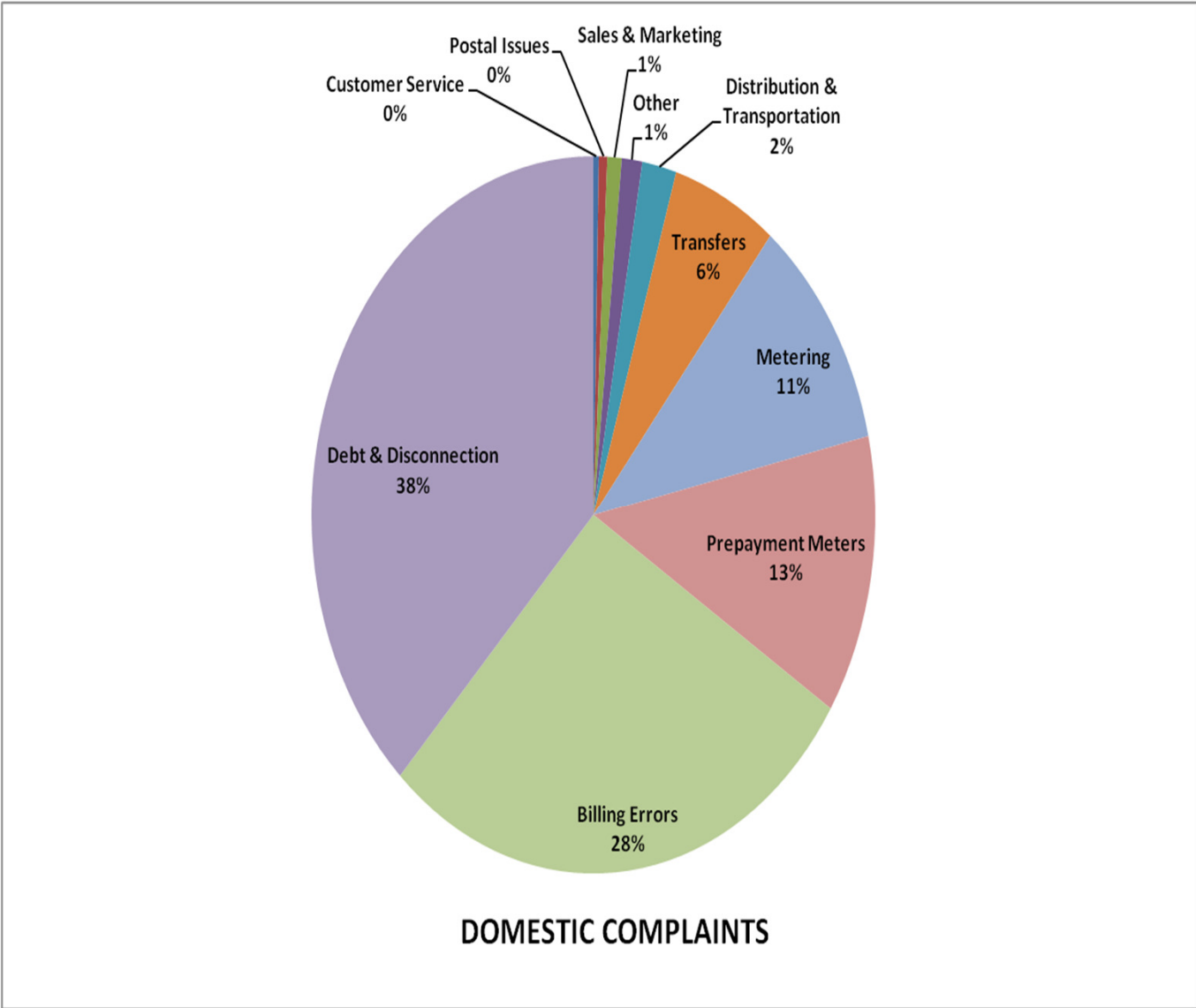
- When sending through a complaint the EHU represents the view of the consumer and ask questions based on the information provided by the consumer.
- We ask for a written response to be provided within 10 working days which answers our points and can be shared with the consumer.
- Good quality responses help resolve the complaint quickly. When the response is received we will either close the case, respond with further questions or challenge the position taken by the company.



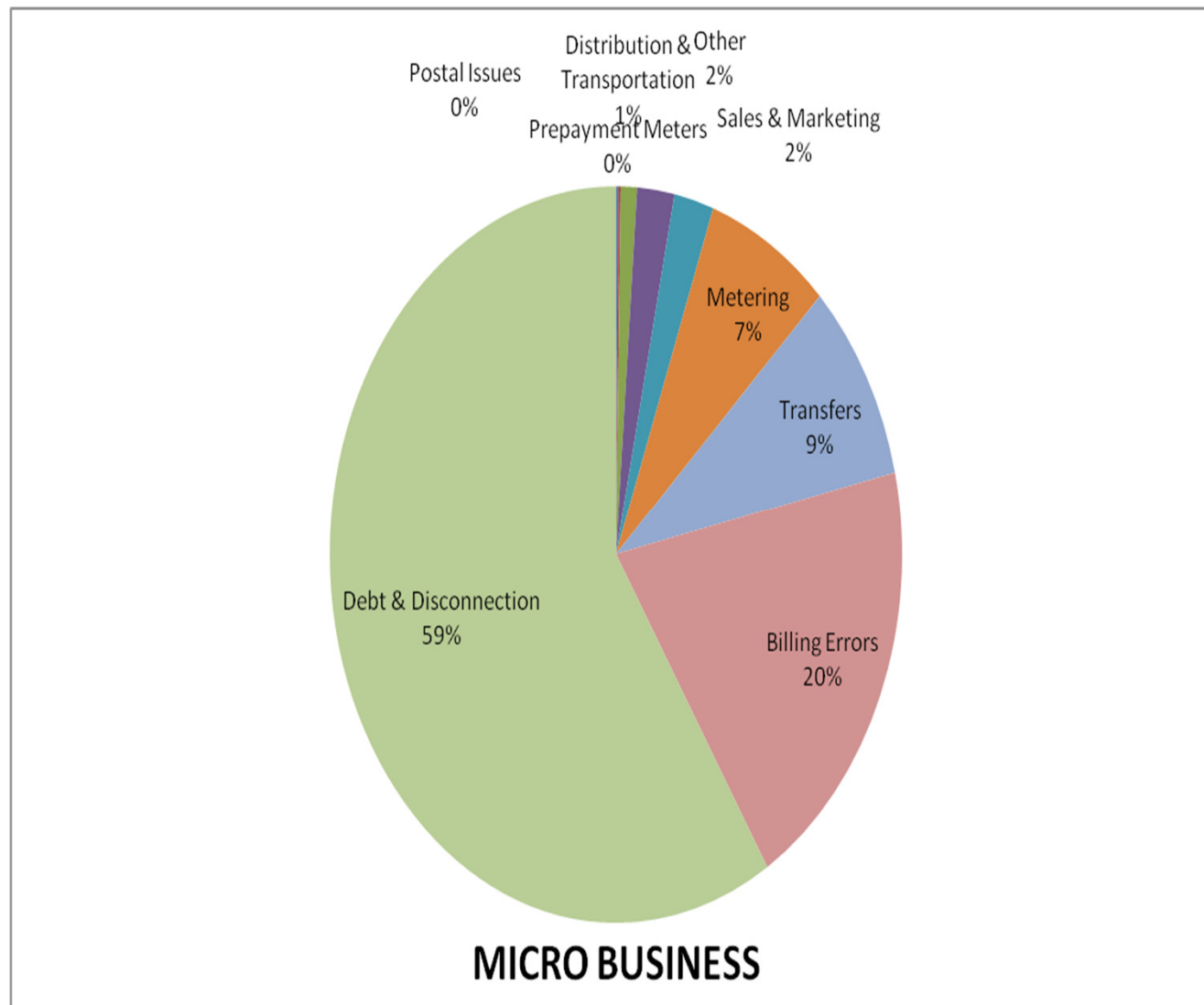
EHU – case load



EHU: domestic consumer themes 2013/14



EHU: non domestic consumer themes 2013/14



Themes raised across industry

- Back-billing interpretation and application
- Billing migration
- RPU
- Call answering
- Self-disconnection
- Non response to complaints with newer suppliers



Consumer Futures Energy team workplan 2015/16

Priority 1: Consumers have access to free and helpful advice to help them take control of their energy bills and get a better deal in the market

Priority 2: Identify issues that cause harm and promote solutions to make the energy market work better

Priority 3: Promote ways to eliminate fuel poverty through coordinated energy, housing, health and income policies

Priority 4: Put consumers in control of their energy bills and build consumer confidence in the emerging energy services market for households, through the delivery of affordable, accessible, safe options for all

Priority 5: Inform the CMA competition investigation

Priority 6: Effective industry governance and network regulation

Energy Retail team

Monitor performance which includes analysis of the volumes and types of contacts made to CACS and EHU.

Together with the EHU, we will raise any identified concerns with individual suppliers and, where appropriate, request changes to policies or processes that appear to be causing consumer detriment.

Provide informal feedback on request.

Formally consult with suppliers on issues that affect you such as the company performance statistics.

Request information using our information gathering powers to help inform our policy development. It is important that the differing experiences of smaller suppliers are considered within our work.

Social media – keep in touch!



Follow us on Twitter
twitter.com/cabenergy
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youtube.com/CitizensAdvice

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Department
of Energy &
Climate Change

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Making a positive difference
for energy consumers

AOB