

Ofgem-BEIS Independent Suppliers Forum – Quick Policy Update **9 September 2016**

Ofgem Update

Our approach to the remedies the Competition and Market Authority (CMA) has recommended

On 3 August, we [published a number of documents](#) relating to the remedies the Competition and Market Authority (CMA) has recommended which includes [our approach](#) to implementing the remedies allocated to us. We have also published three consultations:

- a [statutory consultation](#) on proposed changes to the RMR Simpler Tariff Choices rules,
- a [policy consultation](#) on proposed changes to rules around tariff comparability and marketing,
- a [policy consultation](#) on proposed changes to the Confidence Code.

We welcome your views on these areas and encourage you to respond.

Our proposed approach to dealing with supplier insolvency and its consequences for customers

On 29 July our [consultation](#) on dealing with supplier insolvency and its consequences for consumers closed. The consultation was on revised guidance covering our powers for dealing with supplier failure and also set out proposals relating to the protection of consumer credit balances. We received a number of responses to the consultation and are considering our next steps. We plan to issue a final decision in the autumn. For more information please contact Mark Mills at Mark.Mills@ofgem.gov.uk.

Elective Half-hourly settlement: update

We are working to enable cost-effective elective half-hourly settlement for domestic and smaller non-domestic customers by early 2017. In May, we published a [conclusions paper](#). Various changes are now being taken forward through the industry change process. We encourage independent suppliers to respond when these changes go out for consultation. In order to help parties keep track of the changes, we have published a [tracker](#) on our website, and are trialling a monthly teleconference with industry to discuss progress. For more information please contact Martin Bell at half-hourlysettlement@ofgem.gov.uk.

Compliance with the Renewables Obligation (RO) 2015-16 - Reminder

All UK licensed electricity suppliers who supplied electricity between 1 April 2015 – 31 March 2016 have an obligation under the RO. We calculated individual supplier obligations and confirmed these with relevant suppliers. The deadlines for submission were 31 August 2016 to make buy-out payments and 1 September 2016 to present Renewables Obligation Certificates (ROCs). Any suppliers who have not met their entire obligation have until 31 October 2016 to make a late payment. Full information on supplier compliance with the RO is available from the [Renewables Obligation](#) section of our website or get in touch with us, ROCompliance@ofgem.gov.uk.

Social Obligations Annual Report

In September 2016, we will be publishing the latest Social Obligations annual report, analysing the data on social obligations submitted by suppliers. This includes analysis of debt levels and debt repayment amounts, disconnections, prepayment meters, smart meters, payment methods used by customers and help for vulnerable customers.

This year we will also be adding some examples of good practice that suppliers are doing in these areas which we have collected from conversations with Citizens Advice and with suppliers. For this year's report, examples won't be attributed to individual suppliers. We will arrange opportunities to discuss the Social Obligations area following publication. You can reach the team at SORHelpdesk@ofgem.gov.uk.

BEIS Update

ECO Consultation

We launched the [consultation](#) on the future of the Energy Company Obligation (ECO) on 29 June. The consultation asks questions on a proposed extension to ECO covering the period 2017-18. Proposed changes include reducing the expected level of spend to £640m/year and refocusing it on fuel poor households while also making progress towards the government manifesto commitment to insulate 1 million homes this parliament. It also asks for early views on a new obligation proposed for 2018, including the obligation threshold level and taper. The consultation closed on 17 August and a response to the consultation will be published at the end of the year.

Warm Home Discount

The new [Warm Home Discount regulations \(for 2016-18\)](#) came into force on 23rd July 2016, and Ofgem have since produced the [draft guidance notes](#) to accompany the regulations. The majority of changes that have been made to the Warm Home Discount scheme are relatively small; for the industry initiatives element of the scheme, changes include providing an option for suppliers to achieve part of their Industry Initiatives spending through contributions to centrally, pre-approved schemes, as well as a cap on suppliers' total spending on debt write-off, to be no more than 50% of their Industry Initiative allowable spend in the next scheme year. Other administrative changes are outlined in more detail in the [Government response to the consultation](#). The customer

threshold number for suppliers obligated to participate in the scheme remains at 250,000 UK domestic accounts.

How the recent capacity market auction will affect payments

- Electricity suppliers fund the capacity market – this is set out in the [Electricity Capacity \(Supplier Payment etc\) Regulations 2014](#). Capacity Market auctions are held 4 years ahead of delivery (T-4), with a second ‘top-up’ auction held 1 year ahead of delivery (T-1).
- The first T-4 auction for the 2018/19 delivery year was concluded on 18 December 2014, and purchased £19.40/kW of capacity for a total value of £0.96bn (2012 prices) – this will start to be collected from suppliers from October 2018, as set out in regulations. The top up T-1 auction will be held late in 2017/early 2018 – the cost of the T-1 auction will also be added to the 18/19 levy amount (T-1 auctions purchase a smaller volume of capacity so the amount will be significantly lower).
- To ensure security of supply we are also holding an ‘early’ capacity market auction this coming winter, for delivery in 2017/18. This auction will purchase 53.8MW of capacity, and the outcome of this auction and cost of capacity purchased will be known in January 2017, and will start to be collected from suppliers in October 2017.
- Government has also committed to consulting on changing the capacity market levy so that it is collected on a ‘gross’ rather than a ‘net’ basis. Further information on this is available [here](#) (see paragraph 4.16) – we expect to consult on this in the autumn.
- For more information on the process for collecting the CM levy visit [EMR Settlement Limited](#).

Implementing an exemption for energy intensive industries from the indirect costs of the RO and the FITs

- BEIS is now analysing the consultation responses we have received on how best to implement the exemption through administrative changes to the RO and FIT schemes. The Government intends to publish the government response in autumn and to implement the exemption in 2017.
- BEIS also consulted on proposals to exempt Energy Intensive Industries (EIIs) from indirect costs of Contracts for Difference (CfD) and recovery of over-exemption from the indirect costs of the Contracts for Difference, Renewables Obligation and Feed-In-Tariffs schemes. [This consultation](#) ended on 26th August.

Smart Metering Implementation Programme – Monthly Newsletter

The Smart Metering Implementation Programme (SMIP) issue a monthly ‘Smart Metering Update for Independent Energy Suppliers’. This newsletter is a way for BEIS to give you a regular update on recent developments, key events and activities within the smart metering programme.

The latest issue was circulated on Wednesday 24 August 2016 and included highlights from:

- Update from Smart Metering Implementation Programme (SMIP)
- DCC's Independent Suppliers day
- Keep up-to-date on the work of the Consumer Reference Group
- Passing Critical Alerts from smart meters to Non-DCC User suppliers
- Early engagement with SECAS regarding Security Assessments
- Research on early consumer experiences of smart meters
- Modifications to the SEC

Please contact Nafeh.Syed@beis.gov.uk if you would like to be added to the distribution list.