

Minutes of Sustainable Development Advisory Group meeting

This is a record of Ofgem's Sustainable Development Advisory Group meeting, held 9 June 2016.	From	Sonia Antelo
	Date and time of Meeting	9 June 2016 10.00-12.00
	Location	9 Millbank

1. Attendance and apologies

1.1. See annex for attendance and apologies for the meeting.

2. Updates and agreement of minutes

2.1. No comments were raised about the minutes of the previous meeting.

3. Chair's welcome and results of the SDAG survey

3.1. The Chair informed the group the proposed amendments to the format and structure of the Sustainable Development Advisory Group suggested by the members in the survey.

- Extend the length of each meeting by 30 minutes or an hour. It was agreed that the meeting will be extended by 30 minutes.
- Reduce the number of agenda items, having up to 30 minutes discussion each time and include a standing agenda item to cover 'what we did with your advice'. The Chair agreed that it is useful to have a standard list of items that have been discussed previously and noted that Ofgem will feedback on these items giving information on 'What we did with your advice'.
- Limit the amount of time each team has to present to allow for more discussion. The Chair and members agreed this suggestion.
- Send focussed and concise briefing papers prior to each meeting. The Chair asked members if they prefer to receive the briefs in Word or Power Point format. Some comments from the members were that the format does not matter, however if Ofgem send briefs these should be drafted for someone to read alone and should provide additional information to the constituent slides being presented during the meeting. Other members suggested including links to important documents.
- Bring in a 'period of office' for all members. Agreed that this is a useful discipline have and that this doesn't have to be rigid but use it more as 'reminder' to review who is around the table. An agreement wasn't fully reached on this as need to clarify whether members are there to represent themselves or the body they work for.
- Invite members to recommend an agenda item at the end of each meeting. The Chair mentioned that Ofgem will send an email at the end of each meeting to the members to suggest agenda items. Members commented on this stating there is a risk to this as purpose of SDAG is for Ofgem to gain advice from members. Suggested agenda items may not fall into this context or be as relevant to Ofgem. One member recommended that forward looking topics should be raised as next items.

- 3.2. In context with the above it was agreed that members could propose guests be invited to the meetings to bring their expertise, relevant to the agenda items. Members agreed to this as Ofgem should take advice from any group that is considered to give beneficial advice. A refresh and reminder of TOR for SDAG to be reviewed and sent out to clarify roles (as mentioned previously).

4. CMA Market Investigation

- 4.1. The Chair introduced the item, reminding the members that the CMA published its provisional decision on remedies at the beginning of March and that the final report is due in June.
- 4.2. A background introduction about the project was presented to the group along with the work completed to date, the remedy summary and the implementation of each remedy. It was explained that the remedies are a mix of short and long term projects as several of the remedies will not be fully in place until 2018 and have fallen on Ofgem to implement. Most will eventually become BAU.
- 4.3. One major implementation task is for Ofgem to set up a database of disengaged customers. It was stated that the objective of this database is to encourage suppliers to identify disengaged customers and boost competition for them in the market. The role of Ofgem is to design, set up and manage a database of all customers on a default tariff for up to 3 years. The benefits and risks of this remedy were laid out, stating that this has raised significant media attention.
- 4.4. Some members commented on the high percentage of the population that will be included in this group (c.70%) along with concerns over how Ofgem will select the suppliers that will have access to this database. What level of service, standard and track record should the suppliers have in order to use the database? Questions were also raised over a supplier's incentive to use it and that hopefully it will make suppliers far more proactive to engage their customers before they reach the database, promoting competition such as refreshed tariffs. One positive response was that this database would hopefully close the gap between those sticky consumers who are on Standard Variable tariffs and cheaper tariffs.
- 4.5. In response it was explained that the right approach for Ofgem is to set up rules to offer tariffs for all consumers, make it easier for people who are disengaged to be engaged and close the gap on different tariffs. Ofgem will trial this remedy in a number of ways, trying out different messages, providers, types of communication and communicators to find the right approach. The key in design is to trial impact/messaging.
- 4.6. A point was raised that who is providing the messaging is key as these needs to come from a trusted body. Would comparison websites get involved or provide support? Another point was raised that if a supplier is poor in handling customers then this should forfeit its right to use the database.
- 4.7. In response it was pointed out that Ofgem received some responses from price website comparison companies. This can be useful as the consumer would receive one contact with 10 comparisons rather than 10 contacts from different suppliers.
- 4.8. Further comments raised were that Ofgem could deny temporary access to the database temporary as an option to those who behave badly. There were some comments about the switching process in other sectors (banking, telecoms) and whether (when Ofgem develops much faster switching) customers can give permission to a supplier to just switch them over as opposed to customers having to do it themselves. In other words, would there be a brokerage type facility.

- 4.9. Further concerns were raised about customers who do not respond because they are happy with their supplier. Would it be useful to have some customer characterisation, identifying those customers who are more able to engage compared to others? It was pointed that suppliers have sophisticated databases which characterise their customers. Could Ofgem use this to develop some criteria to prevent certain customers from being put on the database? There is an obligation on Ofgem aligned with this that suppliers do not cherry pick which customers to try and engage so as to not leave out vulnerable consumers.
- 4.10. In regards to implementation and design it was suggested that carrying out a small regional pilot was necessary before going national. In response it was explained that the idea is to run different pilots in different segments. One member pointed out that the big wave will be the local authorities rather than a big number of suppliers and suggested to take in account how Ofgem pilots this in an area that the local authority is active or not. Microgeneration could also trial this.
- 4.11. The Chair asked the group to give their opinion on Ofgem providing public answers to questions and debates raised by the Government.
- The members of the group agreed that Ofgem should be able to provide their own opinion to the public as there are too many changes and the public expects that.
 - Ofgem needs to be more vocal
 - Pick and choose what we comment on due to sheer amount of information coming from government.

5. Future Retail Regulation and Vulnerability

- 5.1. The Chair introduced the item, explaining that Ofgem's Forward Work Programme states that over time we want to rely more on regulating through principles in place of the current prescriptive rules. He stated that the Future Retail Regulation (FRR) team have been formed to explore what a transition to an increased reliance on principles based regulation could look like.
- 5.2. The head of FRR introduced himself and presented the Future of Retail Regulation project is, its scope and objectives, Ofgem's approach (reforming the rulebook, operating the framework and managing the transition), sales and marketing rules and the next steps to follow.
- 5.3. A member stated that from their own experience, Ofgem needs to audit and check in a way that rids the parent-child relationship and encourages companies to self-audit. This brings about a more mature dialogue and with better collaborative relationships. It then forms a more positive feedback mechanism of behaviour. Do we know how we are going to audit? In response it was explained that the team will have an open dialogue with senior management of suppliers and check the risks from both points of view as this is crucial. A further point was raised that league tables and naming/shaming may encourage better performance, comparable to Ofwat's NED platform.
- 5.4. Another member commented that Ofgem should set out what customers expect and give them guidance in a language that they can understand. In response to this it was explained that Ofgem had worked with suppliers on best practice of some existing rules and their feedback was that the suppliers found it very useful and some suppliers then went further.
- 5.5. Ofgem's work on consumer vulnerability was then presented to the group mainly focussing on Ofgem's duties and objectives, its consumer vulnerability strategy,

benefits of a vulnerability principle, challenges and initial framework. This topic was then opened up for discussion.

- 5.6. The Chair pointed that vulnerable consumers is an area that we need to push more and the balance between retaining red lines and keeping open to principles is crucial in this area.
- 5.7. One member commented on phase 2 stating that it is very important. Ofgem needs to check where companies have not performed well and tackle this. This will give consumers confidence on where to get a better deal. Ofgem should use such results to phase out what isn't working and keep/enhance what does work in order to best protect and engage vulnerable consumers. It is also important to know how their IT systems work, as depending on the software they are using there are companies doing certain things well however their software cannot present it properly. Ofgem needs to add some basic rules to principles based regulation in order to fully protect the consumer (e.g. do not disconnect power in winter).
- 5.8. A further comment was raised regarding parallels with the importance of safety in business, concentrating in important issues/risks and meeting the requirements in terms of safety. Other members agreed.
- 5.9. A member summarised that the fundamental issue is whether if the companies can identify vulnerability and what is the right product/service, having conversations with their customers and see how can they go beyond the standards. It would be a good idea to have a 'best practice' industry forum between the companies to share best practice with each other. Other members agreed as this can be especially useful for new companies coming into the market.

6. Any other business and Chairman's closing remarks

- 6.1. The Chair thanked the group for their contribution and that contact details will be circulated for any follow ups. He also agreed that the next meeting will last 2.5 hours.
- 6.2. Martin Crouch mentioned that the members could send their thoughts offline about themes to discuss.
- 6.3. One member asked about embedded benefits are a big decision going in the market (Nina Skorupska). Ofgem's work plan in this area was briefly outlined.

7. Date of next meeting

- 7.1. The next meeting will be on the 6th of October 2016.

8. Annex – Attendance and apologies

8.1. Those in attendance were:

Chair

David Gray (Gas and Electricity Markets Authority)

SD Advisory Group members / deputies

Jenny Saunders (National Energy Action)

Dr Nina Skorupska (Renewable Energy Association)

Phil Jones (Northern PowerGrid)

David Rutland (DECC)

Gillian Cooper (Citizens Advice)

Doug Parr (Greenpeace)

Will McMyn (Good Energy)

Matthew Quinn (Welsh Government)

Ofgem Staff

Martin Crouch

Michael Grubb

Rachel Fletcher

Louise Burrows

Sonia Antelo

Alex Tyler

Adhir Ramdarsham

Karen Dickson (videoconferencing from Glasgow)

8.2. Apologies:

Nick Eyre (Oxford University)

Jeremy Nicholson (Energy Intensive Users Group)

Derek Lickorish (Fuel Poverty Advisory Group)

David Sigsworth (SEPA)

Paul Ekins (UCL)

Tony Grayling (Environment Agency)

Giles Bristow (Forum for the Future)