

Q9) What are your views on the pros and cons of the options outlined in Table 5? Please provide evidence for your answers.

Please see our comments relating to the options shown.

Table 1 - Barriers to market

<i>Approach</i>	<i>Barriers to market</i>	<i>Pros</i>	<i>Cons</i>
<i>Monitor</i>	<i>“ A watching brief” – perhaps shared with the SO, to monitor market access to barriers and issues</i>	<i>Doesn't require regulation, will facilitate more evidence based analysis in future but should be based around a degree of certainty that the 'watching' brief should be reviewed in an appropriate timescale.</i>	<i>Given level of change (through code Mods for project TERRE etc) this is not tenable – Ofgem decisions will be required on Project TERRE model in Q2/17</i>
<i>Industry led change</i>	<i>BSC or C16 modifications</i>	<p><i>Project TERRE (Mod P344) is already resulting in industry led change and is expected to deliver a model for Ofgem to review consult upon in March / April 17.</i></p> <p><i>BSC modification preferable given need for associated codes/ requirements to be acceded too (including Grid Code / ability to communicate with Grid / ensure data transfer etc</i></p> <p><i>Allowing an industry led solution is likely to ensure all potential unintended consequences on all impacted parties are considered and where possible mitigated.</i></p> <p><i>We believe changing market access via the BSC would be the most efficient route for change, given the known changes / requirement resulting from Project TERRE.</i></p>	<p><i>Project TERRE process does not include analysis or calculation of any rebound effects (as customers shift load) and associated impacts.</i></p> <p><i>Lack of clarity regarding how implementation of Project TERRE will impact on broader Balancing Mechanism and market for additional balancing services procured by TO and in future DSOs which may not be addressed (with any resultant supplier imbalance remaining at the supplier (and their customers' risk)</i></p>
<i>Regulator Steps in</i>	<i>Obligation on suppliers</i>	<p><i>Would remove need for significant changes to BSC.</i></p> <p><i>By requiring suppliers to contract directly (we'd recommend a standardised framework to reduce complexity) it would enable faster access and could minimise customer issues where there are associated impacts on the bill.</i></p>	<p><i>Potential for commercial conflict where supplier is working on behalf of a competitor (particularly if the supplier itself is an aggregator)</i></p> <p><i>Placing the obligation on suppliers may reduce customer trust / perceived independence of both aggregator and supplier (and potential conflict of interest if customer doesn't deliver in line with contractual requirements</i></p> <p><i>Direct regulation of aggregators would still be missing risking worse consumer outcomes.</i></p>
	<i>GAR or licence aggregators</i>	<i>We believe GAR - enabling Ofgem to assume some regulatory powers would be helpful, both in terms of ensuring appropriate consumer protection . We noted that the proposals under Project TERRE are likely to result in this outcome, with aggregators being required to accede to the BSC (or at least parts of it) and</i>	<i>Aggregators may view need for formal licence requirements (and associated responsibilities) as too difficult to meet /less lucrative and exit the market.</i>

		<p><i>becoming balance responsible parties in their own right (for those actions covered by the Project TERRE process).</i></p> <p><i>Licensing aggregators could reduce differences (vis a vis supplier standards of conduct / principles based regulation) etc and would provide suitable avenues for redress if required.</i></p> <p><i>Given range of consumer protection required, particularly at the smaller end, seems unlikely that these can be achieved without formal regulation.</i></p>	<p><i>Unclear on timescale for Ofgem to get the appropriate vires to authorise regulatory approach to cover independent aggregators.</i></p>
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Consumer protection

Approach	Barriers to market	Pros	Cons
Monitor	<p>"A watching brief" – monitor consumer concerns and microbusinesses / domestic DSR</p>	<p>Reduces risk that over-regulation reduces ability for new and disruptive business models to develop</p> <p>Allow market-forces to gauge level of natural take-up, without interventionism.</p> <p>May help ensure targeted interventions where there is genuine market interest.</p> <p>Potential for lower interest until smart roll out complete and or HH settlement made mandatory unlikely before 2020</p>	<p>Unlikely to have sufficient consumer protection in place to prevent misselling to early adopters/ those customers with existing PV who may be encouraged to consider battery storage / aggregated options for additional revenue</p> <p>Allowing an unregulated market to develop may damage future acceptance and take up in light of emerging issues</p> <p>Unclear how any consumer protect breaches would be tackled with the risk of lowering consumer confidence in participation.</p>
Industry led change	<p>Voluntary Code of Practice:</p> <p>e.g. ADE code of conduct for larger non-dom customers</p>	<p>Likely to deliver appropriate minimum level of protection / consistency in approach to offering DSR services via a TPI (non-supplier)</p> <p>Perceived to be a minimum/ acceptable barrier to entry (on the subject of consumer protection) for market participants (?)</p> <p>Likely to minimise costs administrative and participant burden, will provide flexibility for change if left to industry</p> <p>Will deliver minimum requirements, allowing providers to differentiate through differentiation (including potentially in levels of service etc)</p> <p>Process already underway, with intention to deliver by 2017 (? Or 18) with substantial industry backing</p>	<p>Likely for difference in regulatory approach between aggregators (not required to meet Standards of Conduct / Prescription Based Regulation levels – unlike suppliers)</p> <p>Only targeted at larger end of non-domestic customers.</p> <p>Provides no guarantee of service levels for consumers or procurer.</p> <p>Enables non-signatories to provide substandard service / products without official recourse</p> <p>No current proposals aimed at smaller non-domestic / microbusiness customers who are more likely to be susceptible to sales hype (mis-selling)</p> <p>Perceived conflict of interest with an industry-led initiative?</p> <p>Unclear how a voluntary code of practice would be 'socialised' / communicated to the wider consumer base, and other industry users for a wider 'buy-in.</p>

			<i>In comparison to the 'monitor approach' any time delay or lag to implement either a voluntary or mandatory code may act as a perceived barrier to entry.</i>
	<i>Mandatory code of practice (SO or equivalent requires sign up to access balancing services)</i>	<p><i>Would provide regulated basis for accreditation, allowing greater compliance and enforcement action (delivering greater customer protection and trust).</i></p> <p><i>Removes financial incentive to avoid signing up to code of practice (and associated costs)</i></p> <p><i>Places independent aggregators on similar level to licensed suppliers to meet equivalent Standards of Conduct (and associated requirements on accurate information, treating customers fairly etc)</i></p> <p><i>Would be possible to set differentiated levels for different customer types, removing risk of ambiguity / protection based on type of aggregator.</i></p> <p><i>May help ensure interoperability of equipment (particularly in future for smaller consumers)</i></p> <p><i>May provide certainty for provision of balancing services to other parties (not just TO) in terms of relationship / accreditation with aggregators</i></p>	<p><i>Cost and perceived administrative burden to comply</i></p> <p><i>Legislative requirement to provide regulator with vires to deliver.</i></p> <p><i>Risk of duplication with requirements to meet BSC requirements (as anticipated through project TERRE process).</i></p> <p><i>In comparison to the 'monitor approach' any time delay or lag to implement either a voluntary or mandatory code may act as a perceived barrier to entry</i></p>
<i>Regulator Steps in</i>	<i>GAR or licence with codes of practice</i>	<i>We believe GAR - enabling Ofgem or equivalent to assume some regulatory powers would be helpful, both in terms of ensuring appropriate consumer protection . We noted that the proposals under Project TERRE are likely to result in this outcome, with aggregators being required to accede to the BSC (or at least parts of it) and becoming balance responsible parties in their own right.</i>	<p><i>Aggregators may view need for formal licence requirements (and associated responsibilities) as too difficult to meet /less lucrative and exit the market.</i></p> <p><i>Unclear on timescale for Ofgem or other regulator to the appropriate vires to authorise regulatory approach cover independent aggregators.</i></p>
	<i>GAR or licence aggregators</i>	<i>As above – with additional requirement through licencing of aggregators likely to ensure full compliance</i>	<p><i>Cost of acquiring licence and compliance may be seen as too high / barrier to entry.</i></p> <p><i>May be unnecessary for early market development (pre 2020 smart roll out / HH elective)</i></p>