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Department for Business, Energy & Industrial Strategy

Ofgem-BEIS Independent Suppliers Forum

13/10/2017

Introduction from Chairs

Rachel Clark (Ofgem)

Mark Holden (BEIS)

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Morning Agenda

Department for Business, Energy & Industrial Strategy

Time	Item	Speaker	Applies to
0930	**Arrival - tea and coffee available**		
1000	**Introduction from chairs**	Rachel Clark (Ofgem) and Mark Holden (BEIS)	All
1020	**Welcome speech**	David Gray, Ofgem Chairman	All
1040	**Update on recent retail market announcements**	Steph Hurst (BEIS)	All
1100	**Faster more reliable switching** *(presentation and workshop)*	Arik Dondi (Ofgem)	All
1200	**Networking lunch**		

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Afternoon Agenda

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Time	Item	Speaker	Applies to
1300	**Erroneous Transfers: consumer issues and supplier requirements** *(presentation and Q&A)*	Graeme Barton (Ofgem)	All
1320	**Half-Hourly Settlement** *(Presentation and workshop)*	Anna Stacey and Jenny Banks (Ofgem)	All
1420	**Coffee break**		
1435	**Renewables Obligation update** *(presentation and Q&A)*	Julie Whiting and Carolyn Campbell (BEIS)	Domestic
1455	**Future Retail Regulation – Customer Communications** *(presentation and workshop)*	Fiona Cochrane-Williams and Moira Nicolson(Ofgem)	Domestic
1555	*Closing remarks*	Rachel Clark (Ofgem) and Mark Holden (BEIS)	All
1600	**Finish**		

Welcome from David Gray

Ofgem Chairman

Update on recent retail market announcements (BEIS)

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Faster more reliable switching (Ofgem)

Arik Dondi

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What is the Switching Programme Doing?

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Aim: Faster, More Reliable Switching

- Next day switching (unless consumer chooses a specific switch date)
- Improved reliability of switching - Fewer unwanted switches or switches that go wrong or get delayed
- Dual fuel experience
- Address the perceived hassle

What Are We Actually Doing?

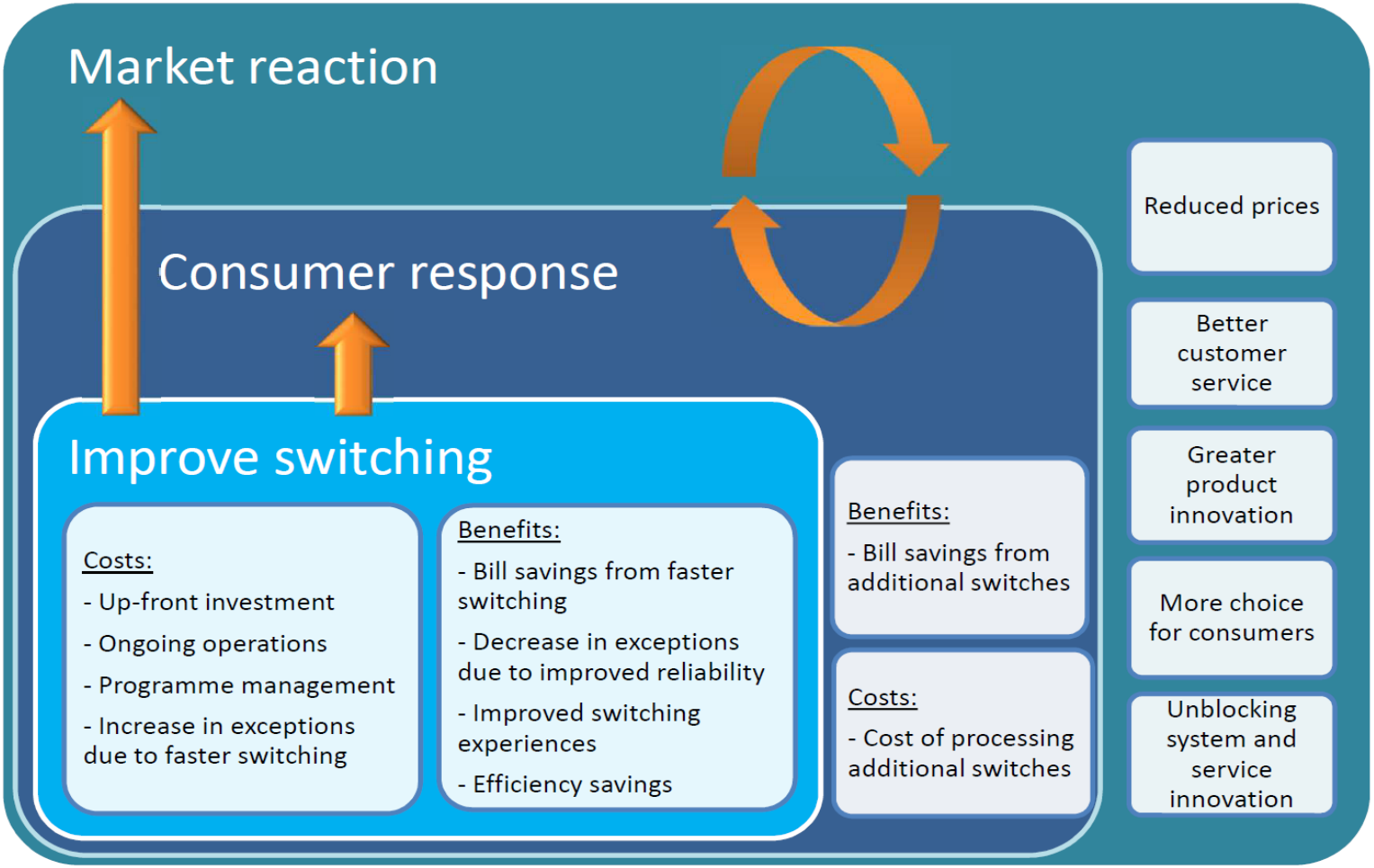
- Systems – a centralised switching service
- Policies and processes, e. g. around cooling off period and objections
- Bringing together gas and electricity processes
- Data – need improvement and maintenance

How Are We Approaching This?

- A programme team in Ofgem
- DCC as delivery partner
- Involvement of industry and other stakeholders in co-design
- Consumer benefit as design principle

Why are we doing this?

Improving the switching arrangements is expected to deliver significant direct and indirect consumer benefits



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Context: Programme phases

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PHASE 1	PHASE 2	PHASE 3	PHASE 4	
Blueprint	**Detailed Level Specification**	**Enactment**	**Design, Build and Test**	**Monitor and Evaluate**
ACTIVITY • Define new market arrangements in a Target Operating Model (TOM) including Delivery Strategy • Consultation and Decision (with IA) on preferred outcome	**ACTIVITY** • Define in detail how reforms will work • Draft modifications to codes and licences • Consultation and Decision (with IA) on SCR Direction and licence mods	**ACTIVITY** • Changes made to codes and licences • Central Registration Service procured	**ACTIVITY** • Systems designed, built and tested. • Transition scheme executed	
ROLES • Workgroups led by **Ofgem** • **Industry** and **consumer reps** to support workgroup option analysis • **Industry** to provide data for IA	**ROLES** • **Industry Code Administrators** and **Ofgem** led workgroups • **Industry** and **consumer reps** continue to support workgroups • **Industry** to provide data for IA	**ROLES** • **Industry** raise code mods and **Ofgem** approve • **Ofgem** make licence modifications • **DCC** procure a central registration service	**ROLES** • **DCC** and **Industry** implement reforms • **DCC** undertake market assurance • **DCC** execute Transition Scheme • **Ofgem** monitor and take go-live decision	

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Timelines

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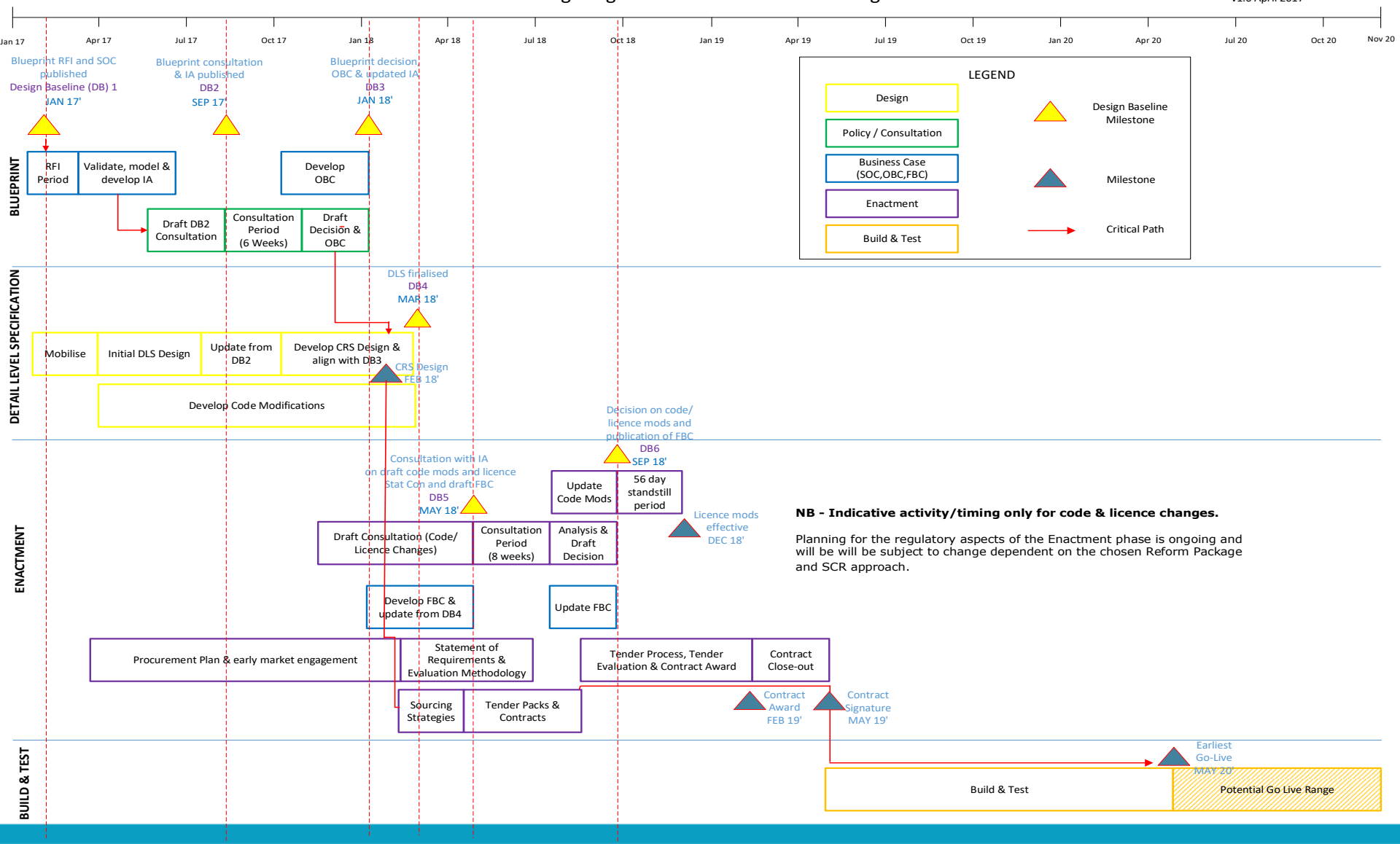
Switching Programme: Transitional Phase High Level Plan

v1.0 April 2017



NB - Indicative activity/timing only for code & licence changes.

Planning for the regulatory aspects of the Enactment phase is ongoing and will be will be subject to change dependent on the chosen Reform Package and SCR approach.

The reform packages we considered

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DO NOTHING

No system or process changes

No improvement to reliable switching

21 day switch

OPTIMISE EXISTING (Reform Package 1)

Use existing systems

Address matching to improve reliability

Key process changes (harmonised where possible) to deliver 3 to 7 day switch

MAJOR REFORM (Reform Package 2)

New central switching service (core data)

Enduring reliability improvement to data quality

Harmonised and simplified next day switching process

FULL REFORM (Reform Package 3)

New central switching and market intelligence services

Enduring reliability improvements, and improved access to broader range of switching data

Harmonised and simplified next day switching process

Consultation Points

http://www.ofgem.gov.uk/publications-and-updates/delivering-faster-and-more-reliable-switching-proposed-new-switching-arrangements

Consultation open until 3 November

Reform package 2a (RP2a)

- The cost of operating instant objections and calendar day working are significant, including when set against the currently identifiable direct benefits.
- We have therefore developed a revised version of RP2 (known as RP2a) that allows a 1 working day objection period for domestic and 2 working day objection period for non-domestic consumers.
- Under RP2a, a domestic customer can switch at the end of the next working day and a non-domestic customer at the end of the following working day.
- Where a longer switch is chosen, that additional time can be used to prevent ETs (the new supplier can withdraw a switch or the old supplier can block it when the customer warrants that they do not have a contract with another supplier).
- As with RP2, the CSS will respond to messages instantly.

Design Assumptions

- Informed by RFI responses, Design Forum and External Design Advisory Group (EDAG) Feedback
- Not an exhaustive list of the assumptions

Objections	Annulment (Erroneous Switch prevention)	Agent Appointments	Cooling off	Other
• Parameterised window • 2WD for non-domestic • 1 WD for domestic • Question on whether CoO indicator on SW shouldn't override Objection invitation	• Losing supplier can delete SW • Robust regulatory requirements required	• Current Supplier Agent appointments process will prevail • MCPs other than DCC will not be identified	• Customer has choice to move to Supplier C, stay with Supplier B on deemed contract of return to Supplier A on equivalent terms • Uses standard switch process	• MAP ID mastered in UKLink and MPRS • Related MPANs will be denoted as Parent and Child(ren) • GB Address/ MPxN Linking Function • OFAF Facility

The Transitional Phase

- The systems and processes will enable a next day switch. Ultimately we expect that next-day switching will be the default switch speed.

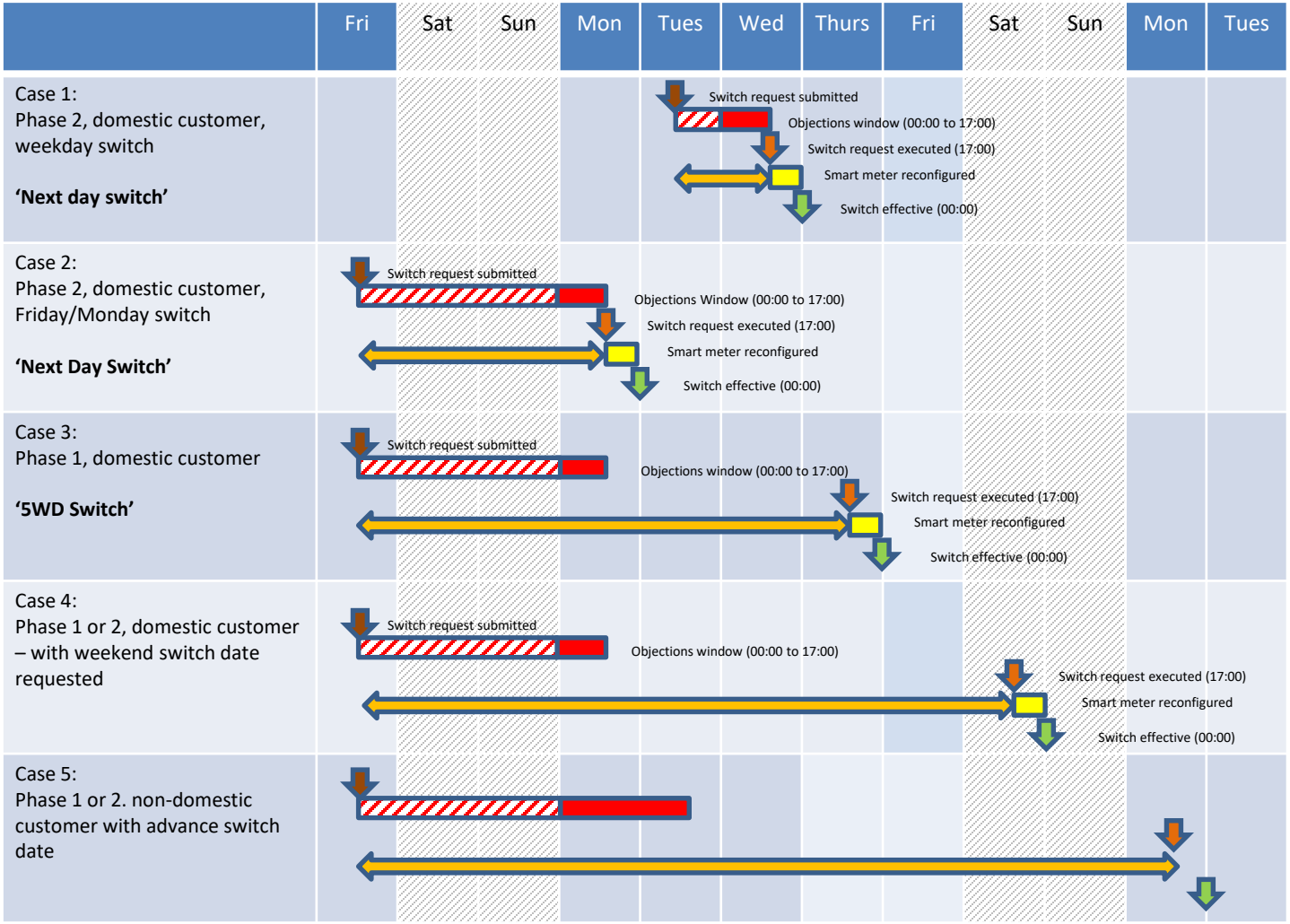
- In order to protect reliability of switching immediately after go live of the new systems and processes, we propose a transitional phase.

- In that phase there will be a regulatory requirement of a five-day switch and we expect that the default assumption on switch speed is five days. If a supplier wants to switch within less than five days, they need to provide evidenced assurances that they can do so without compromising reliability.

- This will allow us to monitor the assumption that faster switching works without compromising reliability. We expect this transitional period to be short (ca. 3 months).

- After that, we will take away the requirement that suppliers who want to switch faster than within five days have to provide additional assurances on reliability. The five day requirement will stay in place as a regulatory backstop.

Switching Timescales – RP2A



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The Retail Energy Code

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Potential full REC (outside initial scope)

- Energy Theft (eg theft risk assessment service)
- Energy Efficiency (ie Green Deal and/or any other future pay-as-you-save infrastructure)
- Vulnerable customers
- Unregistered customers
- Agent appointment
- Customer-appointed agents (eg price comparison websites)
- New connections, disconnection and reconnection (decision-making)
- Billing, payment handling, debt management and other customer service processes
- Meter installation, maintenance and repair (customer-facing processes and practices)
- Retail market reporting (wider reporting, ie GDCC, settlement, disengaged customers)

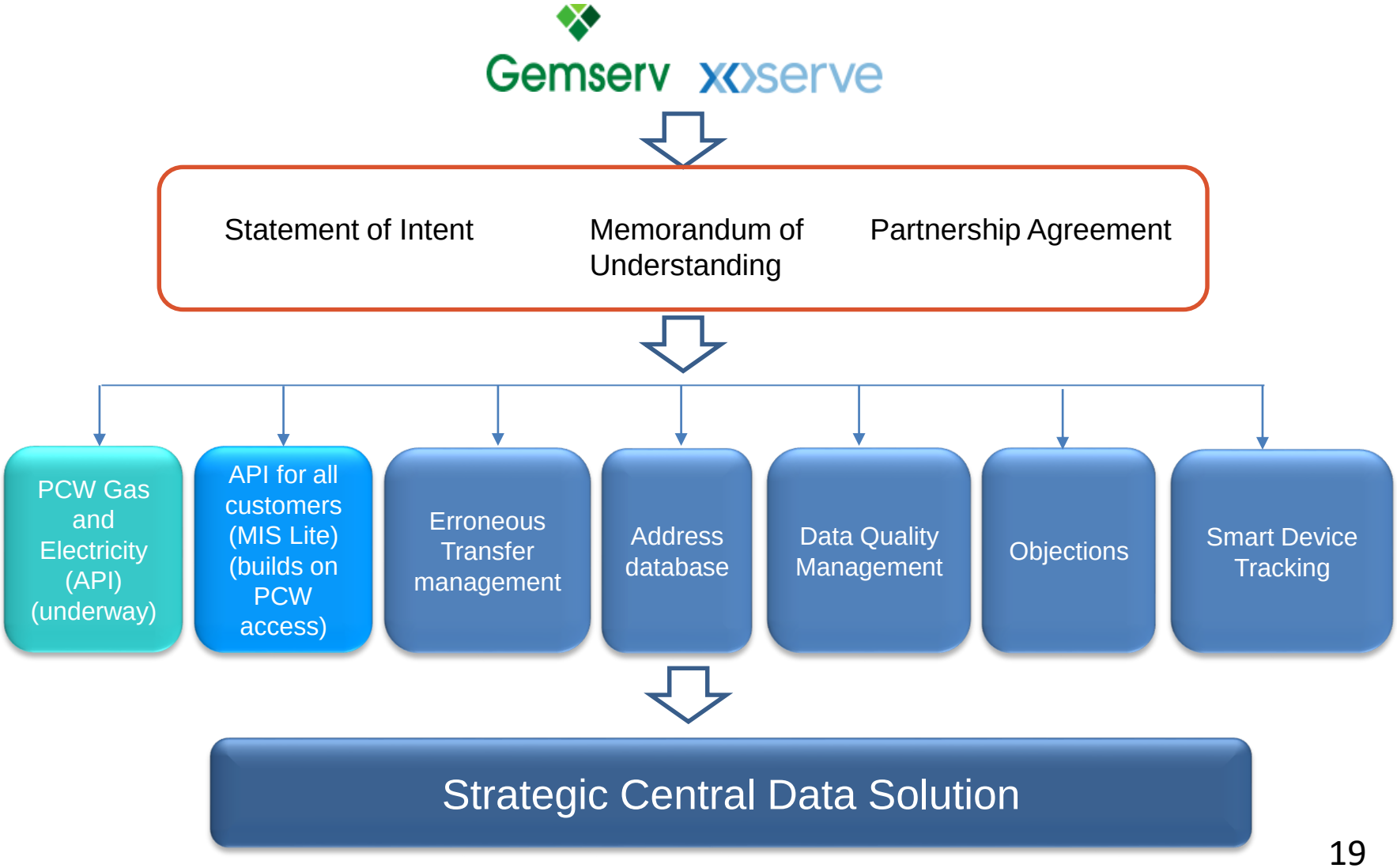
Areas connected to swithcing (inside initial scope)

- Customer switching processes that are not dependant on CSS
- Meter readings
- Prepayment
- MPxN administration (including supply number formatting and allocation)
- Data transactions and catalogue
- Retail market entry assurance
- Reporting (related to switching)

Essential provisions (inside initial Scope)

- Code boilerplate provisions
- CSS requirements and interactions
- Interim requirements (subject to the chosen transitional governance route)

Other developments



Workshop

Questions for discussion

- Which aspects of the Faster, More Reliable Switching Programme are you particularly interested in?

- With regard to those aspects what are your particular interests?

- How would you like to be kept informed about developments on Faster, More Reliable Switching and how would you like to engage with the programme to ensure that the identified solutions work for you?

Networking Lunch

12:00 – 13:00

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Erroneous Transfers: consumer issues and supplier requirements (Ofgem)

Graeme Barton

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Background and Consumer Impact

What is an Erroneous Transfer (ET)?

- An ET occurs when a customer is switched without their consent

What is the consumer impact?

- Considerable customer inconvenience (which could increase with smart meters)
- Damages customers' perception of the switching process and retail market
- Discourages future customer engagement in the market

What is the supplier impact?

- Damages both suppliers' reputation
- Cost and time for both suppliers agreeing and resolving ETs, and then transferring customer back
- Gaining supplier cannot recover charges for the period they are the supplier for ET'd customer

Citizens Advice EHU Case Studies

Based on cases from their Extra Help Unit (EHU), Citizens Advice has told us:

- Independent suppliers are often unaware of the ET Customer Charter and the ET resolution process
- Losing suppliers often refuse to deal with the ET and refer the customer to the gaining supplier (and vice versa)
- Many of Citizens Advice's cases are caused by marketing/mis-selling
- Suppliers - particularly new entrants – are often unwilling to make goodwill payments for the ET, despite the disruption caused to consumers

The consumer is a lone parent with three young children and has recently fled domestic violence. She has a standard PPM. Supplier B took over the gas supply after a sales agent approached her in the street but she did not agree to switch. The consumer had sent repeated emails to Supplier B and had been promised callbacks that never happened. This caused much stress and she has been left struggling without heating or hot water.

The consumer signed up to a new supplier but cancelled within the cooling-off period. The new supplier proceeded to take over supply anyway. This caused her to lose her Warm Home Discount with the old supplier.

The consumer just found out their supply was ET'd three months ago. The consumer has been speaking to both suppliers, but both are blaming each other and not resolving the ET. The consumer is stressed as Supplier B have a standing charge.

A consumer is a cancer patient and of pensionable age, and was ET'd in April. Supplier A had contacted Supplier B three times to request back both supplies but had been ignored. The consumer's electricity was transferred back after the EHU intervened. As of September, the gas supply remains with Supplier B.

Supplier Requirements

Preventing ETs

Resolving ETs

Supply Licence Condition 14A.10-14A.11 for suppliers to take all reasonable steps to prevent ETs

Rules for resolving ETs set out in industry codes (MRA MAP10 and SPAA Sch.10).

£

Some larger suppliers pay customers (voluntary) compensation if they fail to meet a specified standard within the ET Customer Charter:

£20 compensation to domestic customers who have not received a letter within 20 working days (from the date they alerted the supplier to the ET) informing them that their transfer was erroneous and that they would be returning to their old supplier

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Resolving ETs
MRA MAP10 and SPAA Sch.10

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Mandatory customer protections are included in the ET Customer Charter

- ET Customer Charter (copied below) is contained in the MRA and SPAA

1. *If a customer believes that they have been erroneously transferred then **they can contact either their old or new supplier**. The contacted supplier will liaise with the other supplier to resolve the matter.*
2. *An appropriately trained representative of the contacted supplier should explain to the customer:*
   - ***What action will be taken**;*
   - ***When they can reasonably expect to be transferred back to their original supplier**;*
   - *That they will **only pay once for the energy consumed** and where possible, how their billing arrangements will be treated;*
   - *How they will be **kept informed of progress towards resolution**; and*
   - *On request, how complaints will be resolved and, where appropriate, how compensation claims will be dealt with.*
3. *The contacted supplier will send **written confirmation of the details provided above within 5 Working Days** of the customer contact. Where possible the supplier will include an explanation of why the erroneous transfer took place.*
4. *The customer will be provided with **confirmation within 20 Working Days of their initial contact that they will be returned to their old supplier**.*

Procedures suppliers are required to follow to resolve an ET include:

- Prevention techniques if ET spotted before switch completed
  - New supplier should use Confirmation Cancellation Request or old supplier should raise a Customer Requested Objection
- Timelines that old and new suppliers are required to follow
- Escalation process to resolve issues between suppliers

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The need to reduce ET rates

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ET rates are too high and we want all suppliers to take action

- ET rates of some independent suppliers are far too high
- ET resolution process takes too long for customers
- We encourage all suppliers to make full use of data that available to them (such as Electralink's data) to understand their ET rates and what can be done to reduce them

Gaining Supplier	%age of ETs	Gaining Supplier	%age of ETs
Small 1	4.60%	Small 20	1.00%
Small 2	4.20%	Challenger 3	1.00%
Small 3	4.00%	Challenger 4	1.00%
Small 4	3.10%	Challenger 5	0.90%
Small 5	2.10%	Small 21	0.90%
Small 6	2.00%	Small 22	0.90%
Small 7	1.90%	Small 23	0.90%
Small 8	1.80%	Small 24	0.80%
Small 9	1.40%	Challenger 6	0.80%
Small 10	1.40%	Big 6 (3)	0.70%
Challenger 1	1.40%	Small 25	0.70%
Small 11	1.40%	Small 26	0.70%
Small 12	1.30%	Challenger 7	0.70%
Small 13	1.20%	Small 27	0.70%
Small 14	1.20%	Small 28	0.70%
Big 6 (1)	1.20%	Small 29	0.70%
Small 15	1.10%	Big 6 (4)	0.70%
Small 16	1.10%	Big 6 (5)	0.70%
Challenger 2	1.10%	Small 30	0.60%
Small 17	1.10%	Small 31	0.60%
Small 18	1.10%	Small 32	0.60%
Big 6 (2)	1.00%	Big 6 (6)	0.60%
Small 19	1.00%		

Source: Electralink's analysis of electricity data sent over the DTN

Ofgem's interest

- Ofgem's Switching Programme seeks to introduce faster and **more reliable switching**
- Reducing ETs is a key part of making switching more reliable
- It will improve the consumer experience. It will also help ensure consumers are not discouraged from engaging in market
- The code-led SPAA/MRA ET Working Group (ETWG) is considering what can be implemented to prevent ETs and improve the ET resolution process
- Ofgem will soon have access to ET performance data for all suppliers in the energy market, which we will use to target poorly performing energy suppliers

Questions

My questions to you:

Do you monitor your own ET rates?

What more can you do to prevent ETs?

How can you improve the consumer experience after an ET?

I also welcome questions from you

If you would like to discuss ETs further with Ofgem, please contact Graeme.barton@ofgem.gov.uk or switchingprogramme@ofgem.gov.uk

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Half Hourly Settlement (Ofgem)

Anna Stacey

Anna.Stacey@ofgem.gov.uk

What we'll cover

Agenda

- Introduction to Half-Hourly Settlement
- Project overview
  - including benefits and a snapshot of where we are
- Target Operating Model development
- The Business Case overview
- Consumers and Policy overview
- Workshop

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What is Half Hourly Settlement?

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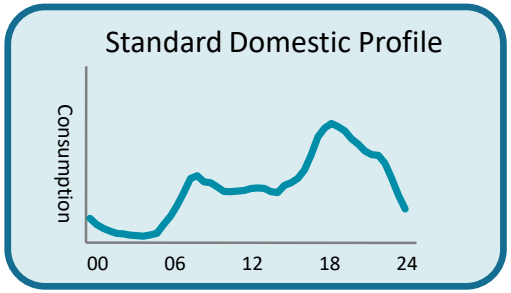
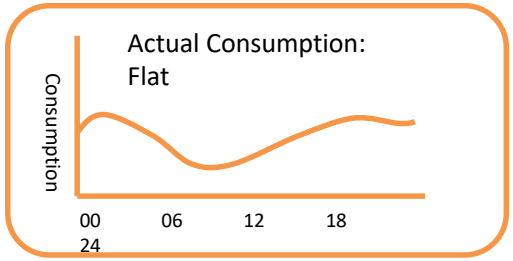
Non Half Hourly Settlement: Customers Settled Using Profiles

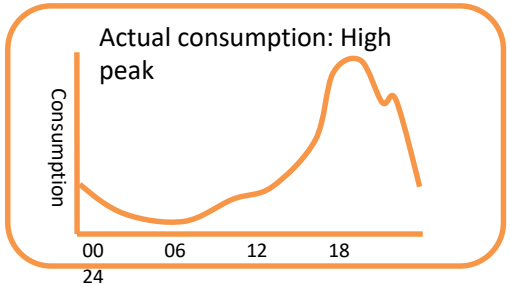


Average domestic consumer consumption pattern = assumed profile

Half Hourly Settlement: Customers settled based on their actual consumption patterns



Low peak electricity consumption means cheaper customer to serve



High peak consumption means more expensive customer to serve

Medium and large business users

Half-hourly settlement (HHS) for Profile Classes 5-8 by 01 April 2017 through P272.

Elective

We have removed barriers to make half-hourly settlement for smaller domestic and non-domestic customers cost-effective on an elective basis.

Market-wide

We expect that we will need to mandate all suppliers to settle their customers on a half-hourly basis to realise the full benefits. We're working in three areas:

1. **Target Operating Model (TOM) design** – technical design
2. **Policy development**– data privacy, whether or not to centralise data collection/aggregation, consumer issues
3. **Business Case** – building the case for if, how and when to implement market-wide HHS, including an economic assessment of the costs and benefits.

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Realising the benefits of HHS

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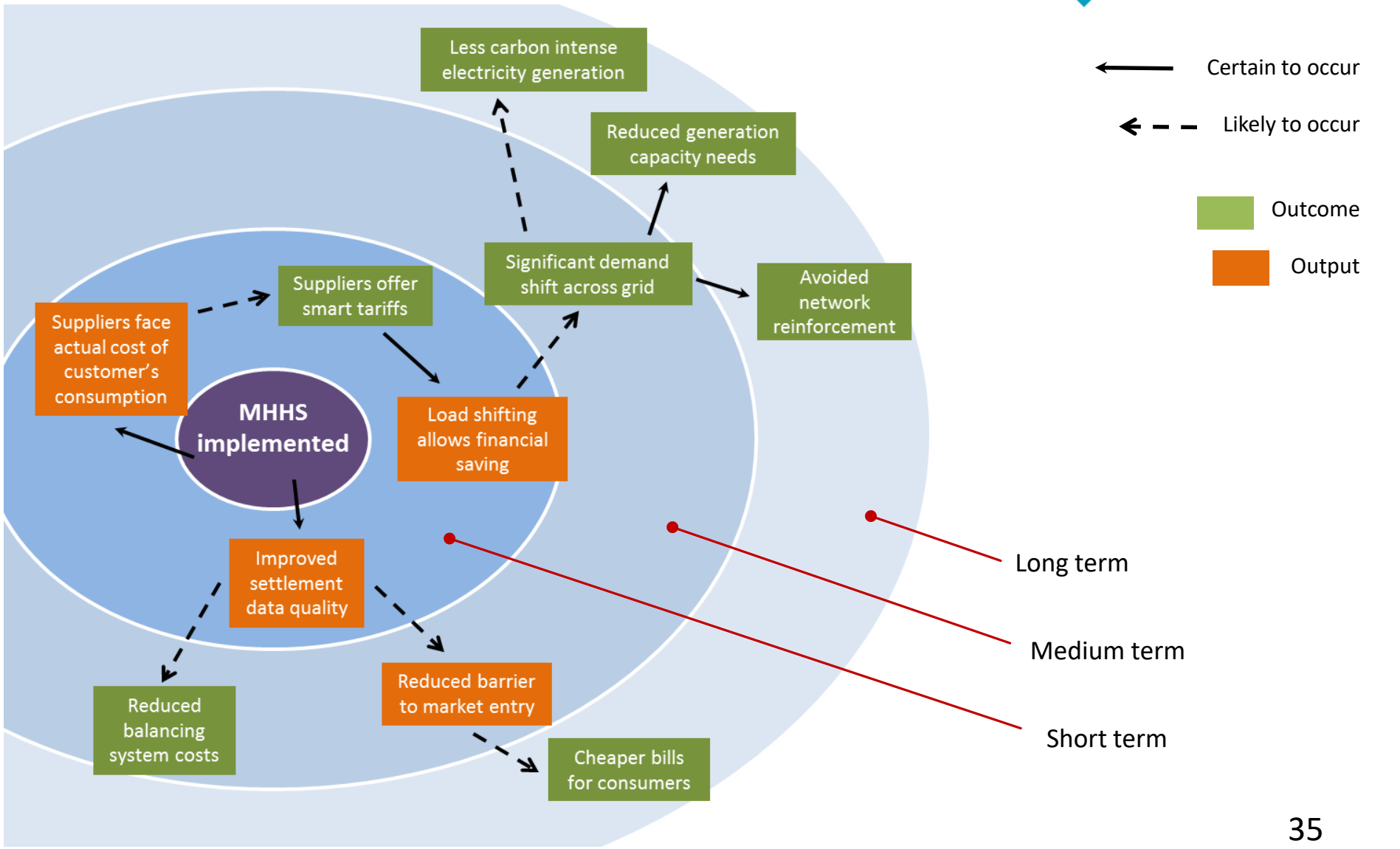
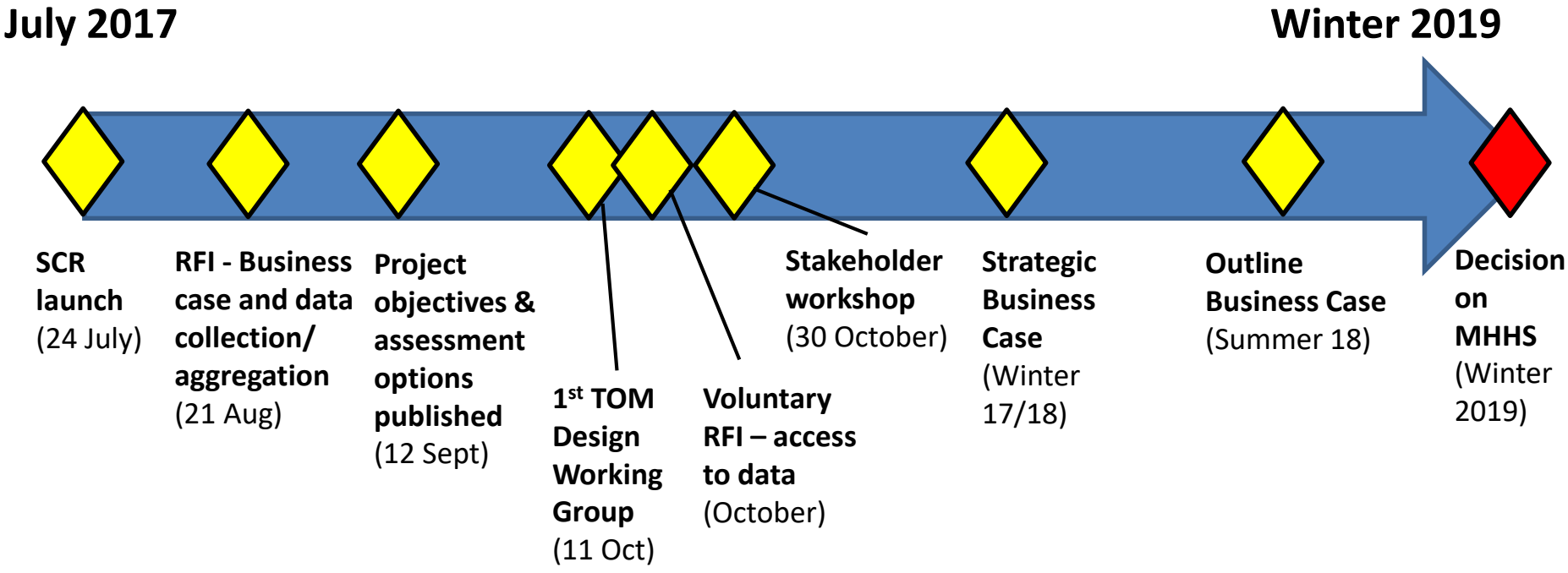


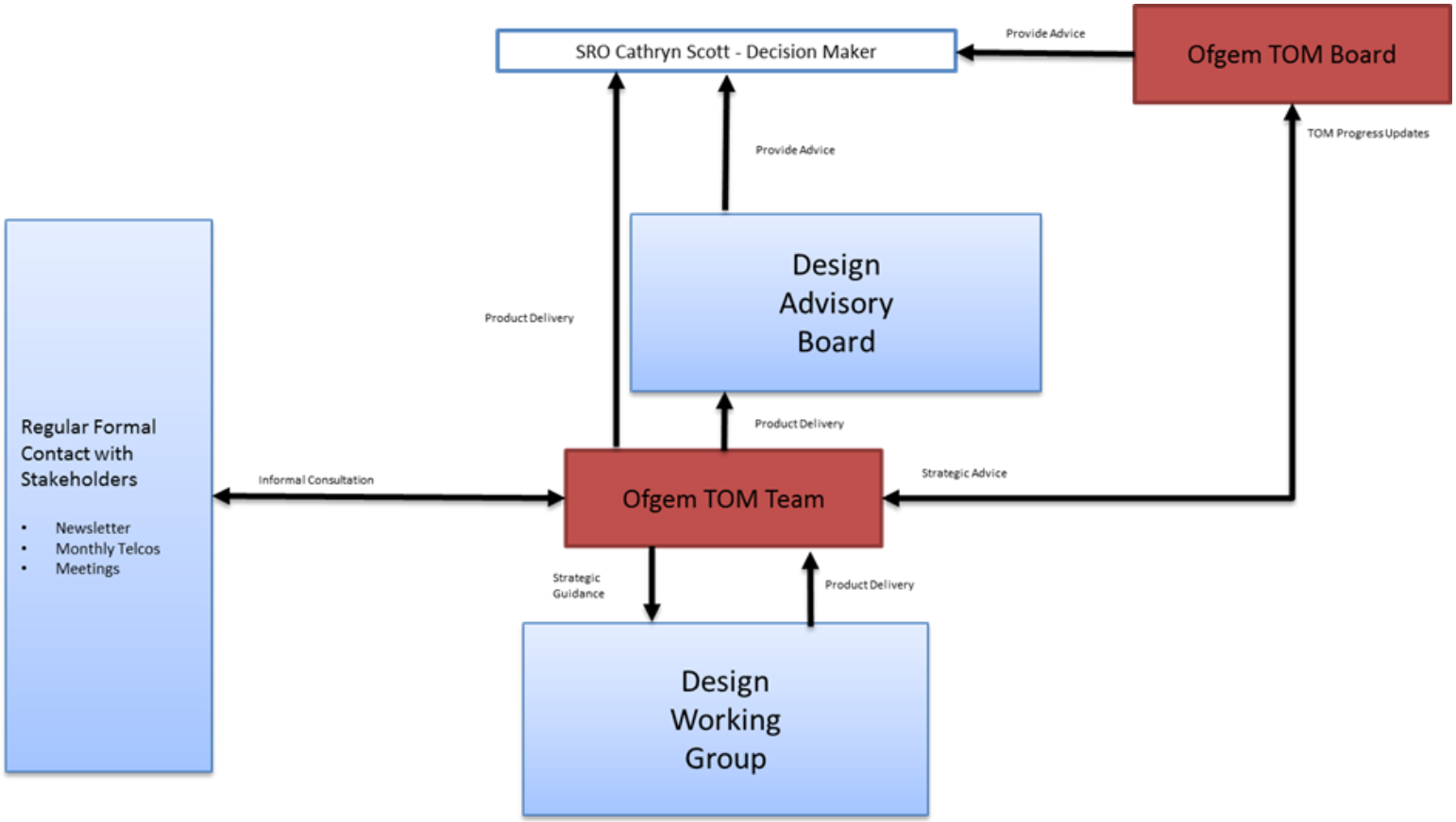
Project Update



Developing the Target Operating Model

Background

- The Target Operating Model (TOM) sets out the enduring settlement arrangements which will deliver market-wide half-hourly settlement.
- This is our governance model for the design and development of the TOM.



How to participate in the TOM development process as a small supplier

For stakeholders not on the Design Working Group or Design Advisory Board, there are still plenty of opportunities to provide input into the development of the TOM:

- We will be providing updates on the design work as part of our regular stakeholder updates, monthly teleconferences and broader stakeholder engagement (eg. workshops and industry forums)
- ELEXON will consult on the TOM options developed by the Design Working Group at key stages of the design process. See the ELEXON forward planning document, available on Ofgem's website, for more information
- ELEXON will also engage more informally with stakeholders
- One-on-one meetings with the Ofgem TOM team on TOM design issues (where requested)

Business Case Overview

Business Case

- We are using the 'Five Case Model' for business cases to examine the strategic rationale for change, the potential impacts of settlement reform and how to best manage and deliver reform.
- The business case process began with defining the **Project Objectives**. These objectives will be used to assess potential options for settlement reform.
- It then continued with the identification of **options to achieve those objectives.** A long-list of options has been developed, which will be narrowed down to a short-list to subject to cost-benefit analysis to determine a preferred option for settlement reform.
- We have also recently issued an **Information Request** and received evidence to inform our analysis of the potential costs of settlement reform.
- Our published business case documentation can be found on our website: https://www.ofgem.gov.uk/publications-and-updates/project-objectives-and-assessment-options-market-wide-half-hourly-settlement-business-case

Consumers and Policy Overview

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Protecting Consumers

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Ofgem is considering the potential impacts on consumers of mandatory HHS and whether any additional protections will be needed as a result. This will include specific consideration of microbusiness consumers.

Accessing advice on switching to a time of use tariff

Ofgem is considering how consumers will easily access accurate advice to help them decide whether to switch to a time of use tariff.

Monitoring the development of HHS and Time of Use tariffs

We will monitor the market closely, including supplier uptake of elective HHS and any impacts on consumers which emerge as a result.

Vulnerable Consumers

There may be distributional effects arising from how smart tariffs affect different types of consumer, based on consumers' lifestyle and their ability to shift their usage at peak times. Ofgem will consider whether any additional protections will be needed as a result of moves towards half-hourly settlement.

Policy Questions Overview

Ofgem is leading on consideration and decision making on the following policy questions separately from the Target Operating Model development:

Approach on whether or not to centralise functions currently performed by supplier agents

- The deadline for responses to our Request for Information was 29 September. Thank you to those of you who responded
- We are now reviewing responses and continuing our initial evidence gathering

Approach to access to data for settlement

- Access to half hourly data from smart meters is currently on an opt-in basis
- Gathering evidence on full range of approaches
- Voluntary Request for Information (going out shortly) to give us evidence for our Privacy Impact Assessment
- Expect to publish the draft Privacy Impact Assessment and consult in Spring 2018

Both policy questions will be topics on the agenda for our stakeholder workshop on 30th October

Options under consideration

No	Option
1	Access to half-hourly (HH) data subject to existing data access rules (opt-in) (the status quo)
2	HH data is available for settlement purposes only with an option for consumers to opt-out
3	HH data is available for settlement purposes only
4	HH data is available for settlement purposes only following pseudonymisation (MPAN replaced with unique identifier)
5	HH data is available for settlement purposes only following anonymisation (MPAN removed at an early stage of the settlement process)

Nb. Further consideration will need to be given as to any bespoke rules which may be necessary for consumers with a smart meter installed prior to the point at which any regulatory or code changes are made.

How to get in touch

Email: half-hourlysettlement@ofgem.gov.uk

Website: https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/smarter-markets-programme/electricity-settlement

Workshop

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Workshop Questions for Discussion

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For each access to data option under consideration what could the risks and benefits be in relation to:

a) Consumers
b) Broader ambition to move towards a flexible electricity system
c) Suppliers and their agents

No	Option
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Appendices

Design Working Group

The first Design Working Group occurred on 11 October 2011. The membership of the group consists of:

- Adam Boorman (Cornwall Energy)
- Emily Bridges (OVO Energy)
- Seth Chapman (Morrison Data Servicea)
- Tom Chevalier (Association of Meter Operators)
- Andrew Colley (SSE Plc)
- John Christopher (Department of Business, Energy & Industrial Strategy)
- James Evans (Hudson Energy)
- Eric Graham (TMA Data Management)
- Alex Leyland (British Gas)
- Ian Marshall (Data Communications Company)
- Tracey Pitcher & Simon Yeo (Western Power Distribution)
- Paul Saker (EDF Energy)
- Chris Welby (Bristol Energy)

We expect to finalise the Design Advisory Board shortly.

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Business Case: Project Objectives

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No.	Project Objective	Measures
Relevant wider ofgem objectives		
1	To promote an electricity system that delivers the Government and Ofgem's objectives in a cost-effective manner, minimising the overall cost to current and future consumers of moving to a low-carbon electricity system while maintaining security of supply and system efficiency by:	
A	Minimising the need for infrastructure investment.	Lower 'peak' demand (either national or local) in comparison to what would otherwise be the case
B	Facilitating more efficient use of generation assets and network assets.	Increase in use of low-carbon assets measured against predicted baseline.
Objectives specific to settlement arrangements		
2	To develop settlement arrangements that incentivise all retailers and suppliers (current and future) to encourage customer behaviour (electricity demand) that contributes to a more cost-effective electricity system by:	
A	Linking future retailers' costs to their customers' actual consumption within the course of a day.	The proportion of customers settled in a manner that specifically links retailers' settled costs to customers' consumption. Evidence of new/changing retail offerings or business models that can be specifically identified as being dependent on settlement costs that vary with customers' consumption.
B	Encouraging new and disruptive business models (from current retailers or new entrants) through settlement arrangements that facilitate competition in new areas.	
3	To minimise undesirable distributional effects on consumers	

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Business Case: Assessment Options

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Choices – what implementation options are available?		Extent of difference from status quo			
Service Scope (WHAT?) – Coverage	1. Who will be covered	Small subset of consumers (eg based on technology/ consumption/DNO region)	A larger subset of consumers	All consumers	
	2. Metering	Just SMETS2 smart meters	All SMETS smart meters (1&2)	All advanced and smart meters	
Service Solution (HOW?)	3. Policy approach	Settlement incentives on suppliers delivered through encouraging 'chunking'	More promotion of elective (voluntary + incentives)	Market-wide	
	4. Granularity of settlement period	Half-hourly		Flexible to reasonable future systems	
	5. Approach to data access[3]	Access to data subject to existing data access rules (i.e. consumer consent required)[4]	HH data available for settlement purposes only with an option for consumers to opt-out	HH data is available for settlement purposes only	HH data is available for settlement only, following pseudonymisation or anonymisation
	6. Approach to agent functions	Retain existing competitive supplier agent market	Retain competitive supplier agent market with reform	Central agent	
	7. Approach to policy communications	Individual suppliers lead communication	Coordinated approach (Ofgem, industry and BEIS)	Ofgem or government led	

Business Case: Assessment Options

Choices – what implementation options are available?		Extent of difference from status quo →		
Service Delivery (WHO?)	8. Policy approach	Ofgem		
	9. Design of Target Operating Model	Industry led by Ofgem	Industry led by Elexon	
Implementation (WHEN?)	10. Commencement	Slower commencement		Faster commencement
	11. Phasing	Slow phase	Fast phase	Big bang
	12. Period for systems changes	18 months	12 months	6 months

Coffee Break

14:20 – 14:35

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Department for Business, Energy & Industrial Strategy

Implementing an exemption for energy intensive industries from the indirect costs of the Renewables Obligation (BEIS)

Julie Whiting and Carolyn Campbell

Agenda

1. Key headlines
2. Changes to the Renewables Obligation (RO)
3. Administrative processes
4. Parliamentary process
5. Next steps

Key headlines

- RO exemption to be implemented on a Great Britain basis with Scotland implementing in parallel.
  - No NIRO exemption in Northern Ireland from the outset.

- As FIT scheme is currently open to new installations, the current compensation will remain in place in the meantime.
  - State aid considerations are more complex and will take longer to resolve.

- Aim to introduce the RO exemption from 1 January 2018, subject to all necessary approvals and publication of the revised 2017/18 obligation level.

Changes to the Renewable Obligation

- Exemption will be implemented through changes to RO supplier liability mechanism in RO secondary legislation
  - For both England and Wales, and Scotland

- Will exclude up to 85% of electricity supplied to eligible EIIs from the calculations of individual supplier liability by:

1. **<u>Revising obligation setting methodology</u>**
   - Calculate the GB obligation level using the current methodology;
   - Multiply this by the ratio of forecast GB eligible supply including EIIs to forecast GB eligible supply excluding EIIs;
   - Will result in a proportionately higher obligation level to offset exemption.
2. **<u>Adjust scope of supplier obligation level</u>**
   - Obligation level (ROCs/MWh rate) will be applied to:
     - 100% of electricity provided to non-eligible EII customers;
     - At least 15% of the electricity supplied to eligible EIIs.
   - See Government Response Document Annex for step by step guide and worked examples.

Adjusting the Obligation

Two scenarios for the timing of adjusting the obligation:

1. Implementing on the 1 January 2018;

2. Implementing from the start of the fourth month after:
   - Necessary approvals are obtained; and
   - Revised renewables obligation is published;

Note: Both England and Wales, and Scottish approvals are needed to implement exemption on GB basis

Scenario 1 - 1 January start

2017/18 obligation	2018/19 obligation	Publish **adjusted** 2017/18 & 2018/19 obligation
• Published on 1 October 2016 • This will apply for the period 1 April to 31 Dec 2017 • Based on current methodology	• Published on 29 September 2017 • Based on current methodology	• Published by 31 October 2017 • Based on revised methodology

Scenario 2 - Start of fourth month

- If 31 October 2017 deadline is missed the exemption will be introduced at the start of the fourth month after approvals are obtained and revised obligation published.

Publication of revised obligation level	Exemption start date
By 30 November 2017	1 March 2018
By 31 December 2017	1 April 2018
By 31 January 2017	1 May 2018

- EII eligibility the same as for the CfD exemption – BEIS will assess
- For eligible meters, CfD exemption will be applied from the date that both:
  - i) EII certificate issued by BEIS has come into force (certificates come into force the day after they are issued); and
  - ii) supplier has put in place 'relevant arrangements' that enable LCCC to identify volume of electricity supplied.
- All volumes of electricity presented by suppliers for compliance, including exempt supply to EIIs, will be validated by Ofgem
  - Data provided by LCCC/Elexon
- Government is not convinced that regulation or licensing is necessary to ensure pass-through of the exemption
- RO exemption will be based on the LCCC guidance note about EII excluded electricity – "relevant arrangements"
- Ofgem has published updated RO guidance for suppliers.

Parliamentary Process for England and Wales

- Draft Statutory Instruments (SIs) have been laid in Parliament for CfD exemption & RO exemption

- Both SIs are subject to Parliamentary approval before they can be brought into force

- SIs for CfD and RO exemptions will come into force on the day after they are made, following Parliamentary approval.
  - BEIS will begin to issue certificates to eligible EIIs once SI for CfD exemption has come into force;

- Both SIs need to be made by the 31 October in order for RO exemption to come into effect on 1 January 2018;
  - If not we move to 'scenario 2'.

Next steps

- Parliamentary approval
- BEIS will publish updated CfD and RO guidance for EIIs and issue certificates to EIIs
- Ofgem to publish final RO guidance for suppliers
  - Currently in draft for consultation
- BEIS will publish adjusted 2017/18 & 2018/19 obligation levels for GB
- Suppliers to put in place relevant arrangements and pass on exemption savings to EII customers
- The Commission will publish information on the identity & activity of individual beneficiaries
- BEIS will continue to monitor exemption beneficiaries.

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Department for Business, Energy & Industrial Strategy

Reforming the rules relating to domestic supplier-customer communications (Ofgem)

Fiona Cochrane-Williams and
Moira Nicolson
futureretailregulation@ofgem.gov.uk

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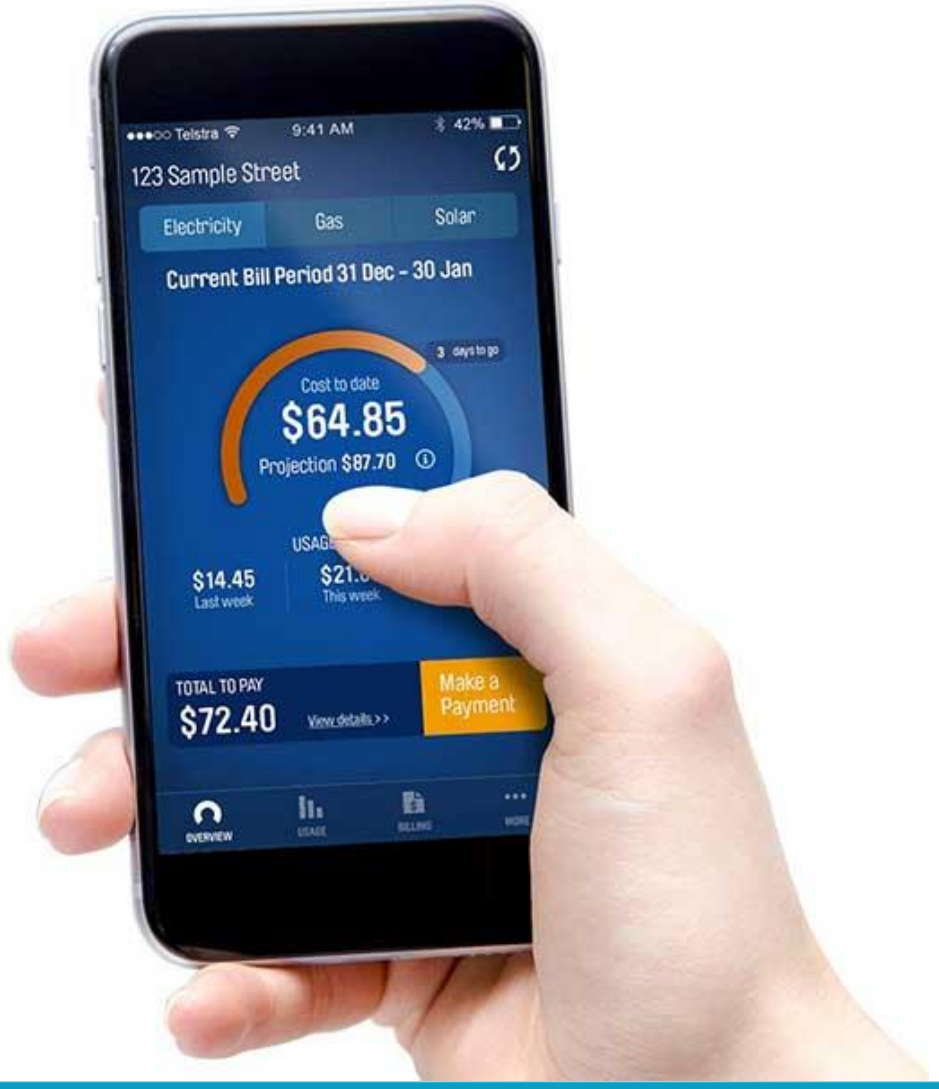
Session Overview

Department for Business, Energy & Industrial Strategy

- Background
- Our Objectives
- Consumer Outcomes
- Next Steps
- Workshop discussion - we want to hear your views



Background

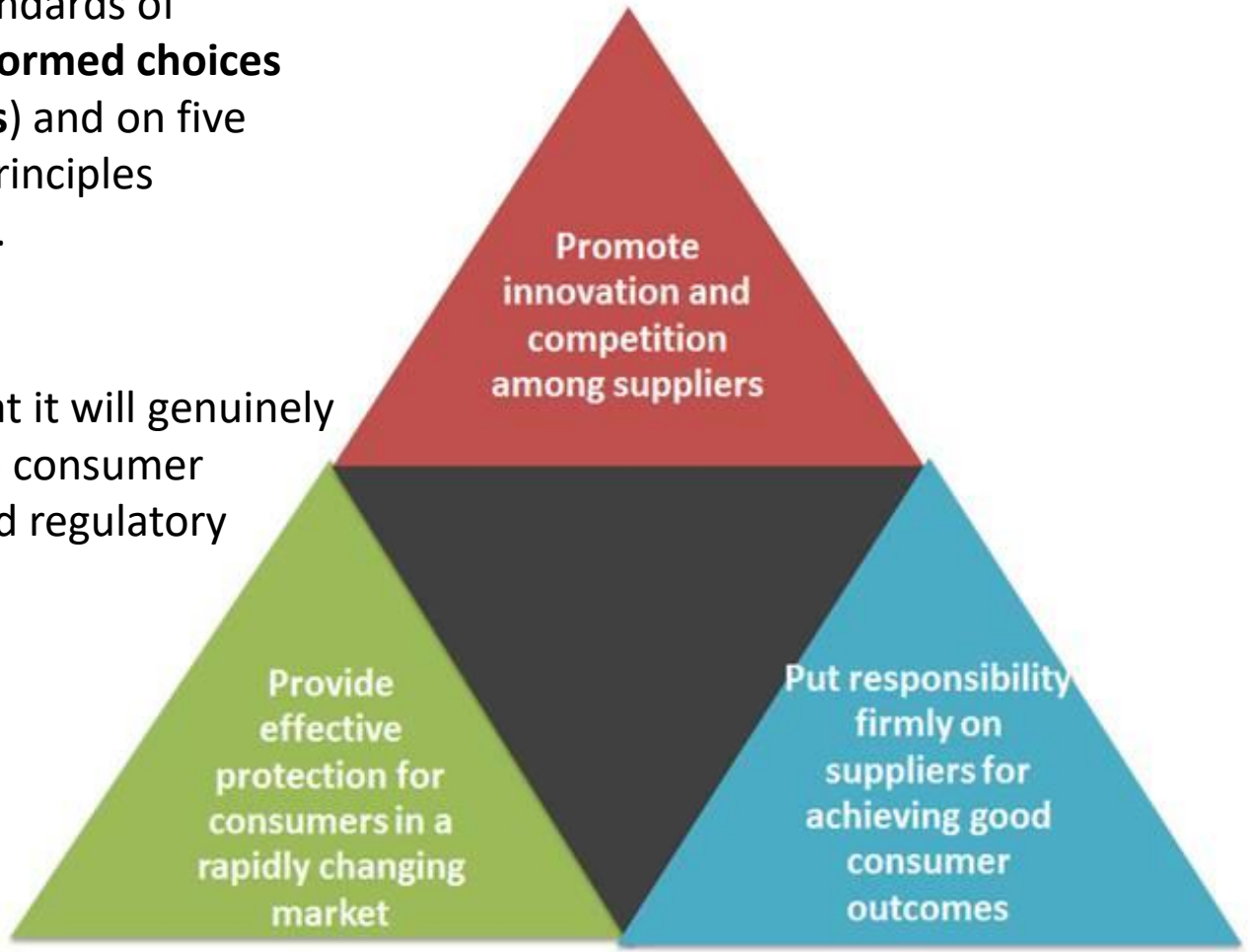
- Consumers having the **right information** at the **right time** and in the **right format** to make informed choices and effectively manage their consumption and costs.

- Our rules must be flexible enough to enable suppliers to **innovate** and find better ways of meeting consumer needs and preferences as technologies and digital services advance.
  - E.g. Billing information innovating beyond traditional paper-based channels

Regulating supplier-customer communications

- Greater reliance on the Standards of Conduct (including **new informed choices** and **vulnerability principles**) and on five narrow informed choices principles introduced earlier this year.

- Industry must assure us that it will genuinely focus on delivering positive consumer outcomes under a reformed regulatory framework.



Our Objectives and Outcomes

- Overarching objective: Ensure consumers are more informed about, and engaged in, the retail energy market, making better choices and getting better deals.
  - This will improve outcomes for individual consumers, encourage innovation, and help increase competitive pressures on suppliers.

This project should result in a package of rules (relying primarily on principles) that will require suppliers to provide consumers with the right information, in the right form at the right time to ensure the following **outcomes**:

Consumers become more active and engaged in retail markets

Consumers are able to make informed choices about their energy supply

Customers know what assistance is available to them and who to contact to obtain it, including what to do in an emergency

In order to progress this work we need…

Next Steps

- Indicative timeline
  - Working paper (November 2017)
  - Policy consultation (Early 2018)
  - Statutory Consultation (Spring 2018)
  - Decision (Summer 2018)

- Internal and external engagement – ongoing! Get in touch.
  - Energy UK report
  - Workshops: Energy UK, Independent Suppliers (All stakeholders)
  - Bilateral engagement
  - Internal stakeholders

Workshop

Dynamic pricing

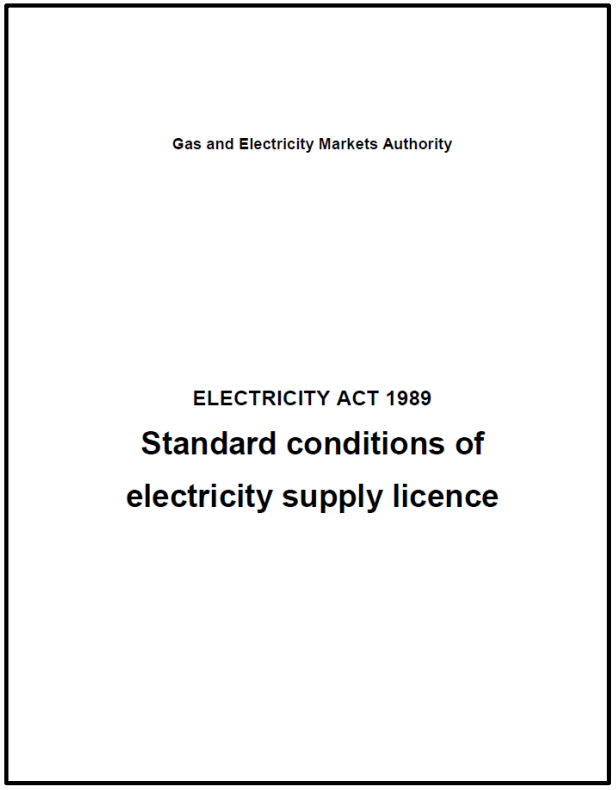
Dynamic pricing tariffs present opportunities for consumers to better manage their consumption and costs. But this depends on consumers being able to understand their options and what a dynamic pricing tariff will mean for them in practice.

1. **Thinking about consumer needs and delivering good outcomes**:

   - What are the main consumer risks and challenges to clearly communicating dynamic pricing tariffs during each stage of the consumer journey?
   - What information does the customer need?
   - When do they need it?
   - How should it be presented?

2. **Thinking about our rulebook**:

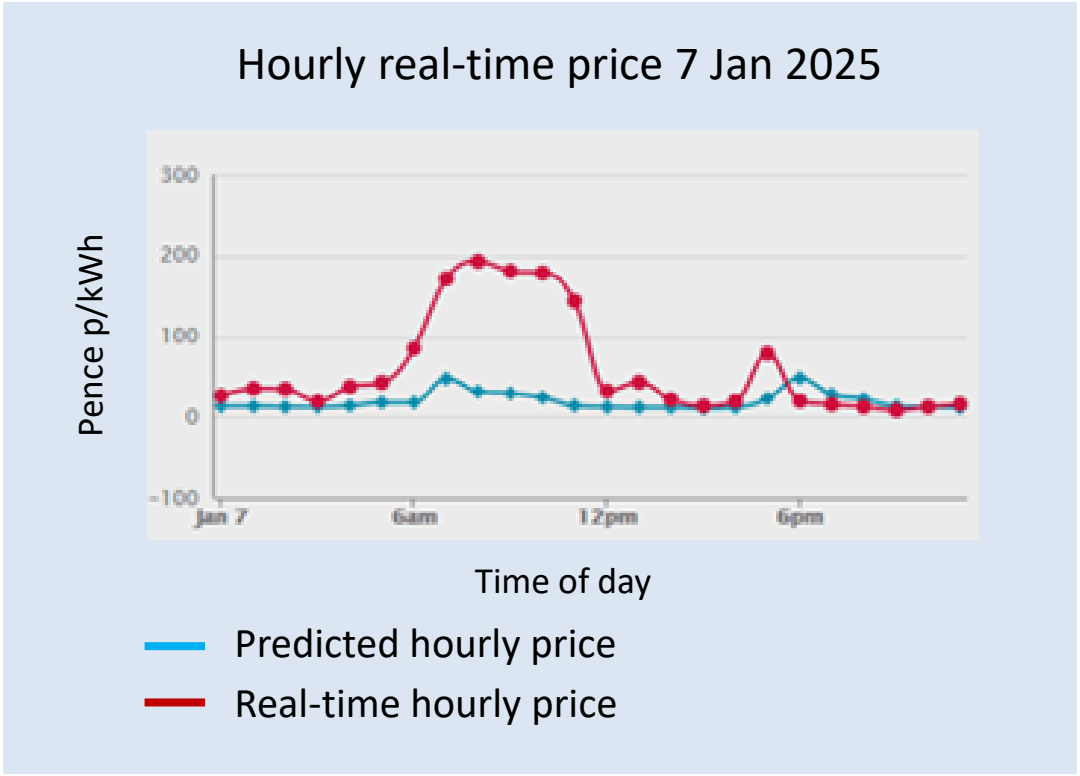
   - Where is prescription needed to ensure consistency / set a minimum standard / ensure wider market outcomes can be achieved?
   - Where should suppliers have more flexibility in how they communicate dynamic tariffs?
   - Are there specific considerations for vulnerable consumers?
   - How will suppliers assure themselves that there will be positive consumer outcomes, and that they're being delivered?


Gas and Electricity Markets Authority

ELECTRICITY ACT 1989

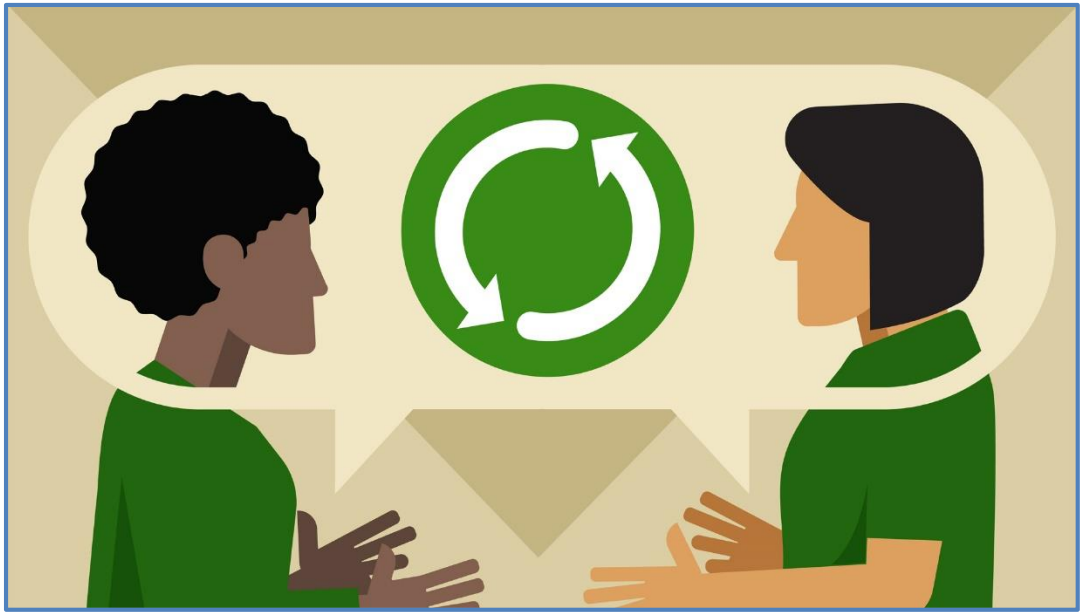
Standard conditions of electricity supply licence

Dynamic pricing



- Real-time pricing tariff based on hourly fluctuations in supply and demand in electricity
- Supplier may provide a predicted price but consumer will be charged at the actual hourly price for electricity
- Automation of appliances may or may not be available as part of the tariff e.g. smart thermostat
- Assume that more consumers have electric heating (especially heat pumps) and electric vehicles than today in line with Government policy, but that many (e.g. 60%) are still using gas central heating and that the majority don't have EVs

Get in touch



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Closing Remarks

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Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.

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