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Dear Neil

Future supply market arrangements – call for evidence

Thank you for the opportunity to respond to your call for evidence. It is important to recognise that, at the time of writing, the fundamental elements of the energy market are being reviewed by Government and Ofgem to ensure that they meet the requirements of both our current and future customers. The launch of the faster switching and half hourly settlement significant code reviews, charging review and RIIO-2 development along with current Government engagement on policy matters could change the way that the energy market operates. We agree that the role of market participants should be reviewed to ensure that consumers benefit from new innovative ways that may be brought forward for consuming energy services or for re-allocating current responsibilities, and this needs to be done in the context of the wider policy direction.

Much of the call for evidence correctly focuses on the future role of suppliers and their responsibilities. We anticipate that the rate of change and innovation in the sector will continue to accelerate and will require a different set of behaviours from all of the industry participants to ensure we deliver the right services to our customers. This will involve challenging the current approach and ensuring that the most appropriate parties deliver services in the most efficient manner.

Some developments to our role are already happening and we have identified other areas we can contribute that benefit consumers. We are: -

- Getting even closer to our customers as a DNO as encouraged through the RIIO-ED1 regulatory framework. We are taking an increasing role engaging directly with our customers to understand what outputs or services they need from us. We anticipate increasing our engagement in a number of areas, including as RIIO-ED2 is designed;
- Taking on new activities required of a DSO, that will reduce costs to consumers for providing the network capacity they need in future;
- Considering if our role could be extended to facilitate increased deployment of Energy efficiency measures. As a network company, our incentives are to reduce energy use to maximise the efficient use of our network so our interests to promote energy efficiency are strongly aligned with those of our customers to lower their bills and reduce emissions through them using less power.

We therefore consider a review of supply market arrangements will be timely and could enable consumers to benefit from a range of new approaches and innovations that might be developed.

Any changes in roles may also necessitate changes to sector codes. The Code Administration Code of Practise (CACoP), developed by industry to facilitate convergence and transparency in code modification processes and to help protect the interests of small market participants and consumers will be beneficial managing any code change.

Please contact me if you have any queries.

Yours sincerely

A handwritten signature in black ink that reads "Paul Auckland". The signature is written in a cursive, flowing style.

Paul Auckland
Head of Economic Regulation