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Our ref

Your ref

Date

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Dear Neil

Future supply market arrangements – call for evidence

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc in response to Ofgem's initial call for evidence on "the Supplier Hub".

We welcome Ofgem's consideration of the supplier hub arrangements as part of the overall the transition to a low carbon economy. This will have an impact on how DNOs develop their role as DSOs in facilitating the local supply and generation markets, and in particular how we would need to make changes to systems and processes to enable us to interact with multiple parties. We look forward to engaging with Ofgem at the proposed workshops in 2018.

Topic 1 - Guiding criteria to evaluate a successful supply market –

Q1 What are your views on the above criteria? Are there other criteria that should guide our assessment of current and possible future market arrangements?

Guiding criteria could include:

- *Consumers can access energy supply and energy services however they choose to do so, without undue restriction.*
- *Consumers that do not actively engage in the energy market still receive a good quality of service and pay a reasonable price for their energy.*
- *Consumers, including the vulnerable, are adequately protected no matter how they access energy services.*
- *Bearing in mind relevant data protection regulations, there are no undue barriers for consumers and wider market participants seeking to share access to their energy system data with other market participants.*
- *Firms offering intermediary and other services to consumers can compete on an equal basis.*
- *Costs of operating the energy system are recovered in a cost-reflective manner, and risks allocated and managed effectively. [including network costs]*

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We broadly support these as guiding criteria.

In addition it is important to consider the clarity of the boundaries between suppliers and other parties to ensure that these are adequately scoped to avoid any "scope creep" as may have been perceived by the smart meter rollout. Whilst metering was originally intended to be a separate competitive activity, the supplier hub principle meant that suppliers became responsible for customer meters by default which then evolved into suppliers leading the smart meter roll out. This may be seen as a sub optimal arrangement should the smart meter roll-out continue to be significantly behind schedule and over budget.

Topic 2 – Barriers to innovation

Q2 What are the most significant barriers to disruptive new business models operating in the retail market? Please draw a distinction between regulatory barriers and commercial barriers (eg there may not be enough potential consumer demand to justify market entry).

No comment.

Topic 3 – Alternative default arrangements

Q3 What other supply market arrangements would provide a better default for disengaged consumers, whereby they are protected adequately and are able to access the benefits of competition?

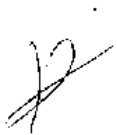
No comment.

Topic 4 - Consumer protection

Q4 How big an issue is it that we do not currently regulate intermediaries in the energy market? Is there a case for doing so? If so, how would we best do it? We are especially interested in frameworks that enable a wider variety and increased number of market participants to provide supply.

We support the regulation of aggregators and other intermediaries to provide consumers' with the confidence to considering products offered by these parties. We have seen these as a barrier to the uptake of these types of service by larger customers.

Yours sincerely



ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager