

FWP speech for London and Glasgow

Good morning everyone, and thanks for joining us at our Forward Work Programme event. I hope you find it useful and interesting.

Our Forward Work Programme is a consultation – and is still live, until the middle of February.

You'll all have hopefully got a copy of it, so do please flick through it if you haven't already. We'll use responses to the consultation, including your feedback from today, to shape the final version, which we'll publish in March.

Today is about setting out what we think are the areas where we think we can make the biggest difference over the next financial year, and beyond.

We hope you agree. The 'work programme' part is to show how we propose to deliver the best outcomes for consumers.

Today is a chance to hear your views on how we best do this. Are there barriers we don't yet know about? Are there unintended consequences we haven't anticipated?

Are we doing too much of something? Is there something we have missed?

You'll have a chance later to let us know. Or you can submit a formal response to the consultation via the usual routes.

And today is also a chance for us to explain how all our work fits together.

Our Forward Work Programme is designed to help us join up the relevant programmes - and show how they fit into the bigger jigsaw.

These projects aren't just happening over the course of the next twelve months. They're multi-year, long-term initiatives, always with this bigger picture in mind. To deliver them, we need your help. We need to work together.

Rapid change can be unsettling, particularly when there's so much uncertainty about the pace and nature of that change.

Add to this mix other uncertainties – like Brexit – then it's clear that things are really not very clear at all.

Part of our role is to provide a regulatory framework. At its core are our guiding principles which remain constant amid all these unknowns and which shape our work:

- To deliver a fairer, smarter and more competitive retail market. Making it easier for everyone to engage to get a better deal
- To facilitate transformation of the energy system to ensure that benefits are captured for consumers.
- To ensure network companies deliver good service and value for money for consumers.
- And most of all, to ensure that consumers, particularly those in vulnerable circumstances, are always protected no matter what.

Once the government's price cap bill gets Royal Assent, Ofgem will implement the cap as quickly as possible.

To do this we will be starting work on how to set the cap.

It must protect consumers from overpaying for their energy.

At the same time, the design must also allow for “effective competition”, as the draft bill specified, so that those who switch can save even more money.

We continue to believe that ultimately competition – combined with targeted price protection for those who need it the most – is the best way to drive prices down and service up over time. The Government’s proposed price cap will provide basic protections for disengaged consumers while our reforms to create a better retail market take effect and the rollout of smart meters completes.

Alongside the cap, Ofgem will be pressing on with reforms to help consumers to engage in the market, particularly those who have been on poor value default deals for some time. As the CMA found, this part of the market is not working for these consumers.

A major part of our engagement reforms relates to improving customer data.

Consumers must know that they can readily access their data or allow third parties like price comparison websites to do so on their behalf to help them to get a good deal.

But too often the quality of data, particularly for those who have not switched suppliers for a while, is very poor.

It means switching takes longer than it should, can lead to failed or erroneous switches, reinforcing consumers’ perception that switching is a hassle, when in fact they stand to benefit the most. This is unacceptable.

That’s why we are continuing the database programme, which focuses on how to prompt disengaged consumers to engage in the market, and later this year will

start collecting data from energy suppliers with over 250,000 domestic customers on default tariffs for three or more years on their disengaged customers. The idea is that they will be prompted to look at their deal and see if they can get a better one, with minimal hassle. Building this database will require those suppliers to cleanse and quality check their data, ensuring it is accurate and reliable.

Alongside this, we'll work with the industry to roll out smart metering, faster switching, half-hourly settlement, and other building blocks for a market that works better for consumers.

I remind any suppliers who are less than enthusiastic about the Government's price cap, the Bill is clear that the price cap can only be removed before 2023 if we assess the conditions for effective competition are in place – so suppliers should not drag their feet.

So if suppliers want the cap to be lifted sooner, it's in their interests to get – literally – with the programme.

I mentioned earlier that one of Ofgem's guiding principles is to protect consumers, particularly the vulnerable.

That's why we're also extending our prepayment safeguard tariff to 1 million vulnerable households from next month.

In the spring we'll publish our statutory consultation on extending price protection to another 2 million vulnerable households next winter. And next year we will be reviewing and updating our ground-breaking Consumer Vulnerability Strategy from 2013.

We're shortly to announce the framework for RIIO2, our price controls to regulate network companies which will play an increasingly important role as we make the energy transition.

This will set out the parameters which will apply across all networks, for how they perform against outputs, their allowed expenditure and incentives for things like safety, reliability, connections, and engaging with stakeholders.

It's about balancing investor interests with making sure that networks deliver for consumers, particularly on value for money.

We've taken a long hard look at whether RIIO1 delivered, and what we can learn from it.

We've already said that that the next set of RIIO price controls – "RIIO2" – will be tougher on the networks and will result in lower overall returns.

Some network companies may not like this.

But they must know that to maintain their licence to operate, network companies must have consumers' confidence that they are delivering value for money.

Look out for our framework document in the spring.

The other big piece of the jigsaw is, of course, the energy transition.

The energy system is largely governed by rules and regulations written for a different era.

An analogue age when generation was centralised, demand was fairly passive and predictable, and distribution and transmission were uniform.

The world isn't like that anymore.

Technology combined with the need to reduce carbon emissions are together reshaping the energy system.

And we need to reshape the rules and regulations that govern it.

In the next few years, electric vehicles – certainly in large cities – will become commonplace. New and disruptive business models will enter the market.

What this means for everyone here is that however it changes, and however much new demand is put on it, the system must continue to meet people's needs.

The lights must stay on. And costs must remain fair and affordable.

So a lot of our work at the moment that's looking at a coordinated approach for the whole system.

We're working with the government on removing barriers to technology and clarifying obligations on network companies.

And we're looking at making sure that access to the network and the charges for doing so are fair.

We're also looking at whether the regulatory arrangements which put suppliers at the heart of the energy system are fit for the future.

Suppliers act as the primary interface or middleman between the customer and the energy system.

There's never really been a viable alternative to this model. But as the energy system transforms, we are now moving towards a world of potentially multiple suppliers of energy and associated services. We have been seeking views on what tomorrow's energy market might look like, one where we have broken the dependency on suppliers, to create a more competitive market which delivers benefits for all consumers.

Our work on the supplier hub model will clarify some of this.

So – these initiatives are just some of the work Ofgem is doing at the moment.

Our ambitions don't just apply to the work we do, but how we organise ourselves too. You may have seen our announcement about how we're redesigning our structure to be more outward-facing, agile, and efficient in delivering a better future for energy consumers. We think it'll better allow us to empower our staff to meet the challenge of a rapidly-changing industry too.

What this means is our senior team will be smaller, and our policy divisions consolidated from four to two.

It coincides with our London office move to Canary Wharf, so it feels like the time is right to make dramatic changes that will better focus our minds on agility and delivery. I'd be interested in hearing from you down the line on whether you think the changes have improved your interactions with Ofgem.

It's an exciting time to be the energy regulator. And this work is ambitious, and important.

But we can't deliver without you.

Your views are important to us – your feedback will inform how we regulate.

When we publish the final Forward Work Programme in March, some of the detail may change, but the overarching objectives will remain the same.

We want to make it easier for people to engage in market.

We will always work to ensure that consumers are protected, and that we capture the benefits of the energy transition for consumers.

And we want to carry on delivering the environmental schemes as efficiently as possible.

Again, I'd like to remind you that the Forward Work Programme is still out for consultation, and we'd like as many of you as possible to respond to it.

As ever, it's only successful if it's the start of a dialogue.

I'd like to thank everyone who helped organise today, everyone at Ofgem who worked hard on publishing the Forward Work Programme, and to you for coming.

I hope you find it useful, and I look forward to working with all of you over the coming months.

Thank you.

Questions?